City of Brisbane
Staff Report

To: Infrastructure, Utilities and Franchise Subcommittee

From: Maria Saguisag-Sid, Principal Analyst

Subject: Solid Waste Rate Increases and Amendment to Franchise Agreement with Recology

Date: Meeting of May 10, 2017

Purpose: To review Notices of Intent to adjust current rates in Brisbane for solid waste removal and amendment to on street clean up services provided by Recology.

Recommendation: Review and discuss proposed increases and amendment to franchise agreement to be effective July 1, 2017 and direct staff how to proceed.

Background and Discussion:

Rate Increase: The City of Brisbane currently holds franchise agreements for solid waste removal services with Recology in Zone 3. This agreements became effective November 2014. Services under these agreement include commercial solid waste removal services, 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. Recology reports that their estimate of the diversion rate for Zone 3 customers was approximately 84% for 2016.

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

- 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 x 4.0%) + (.25 x 3.0%) + (.05 x 9.0%)).

- Section 6.3 of the Agreement provides that in addition to adjustments under Section 6.2, maximum rates shall be increased to pass through extraordinary increases in Recology's costs to provide services.

The agreement provide that rate increase requests be submitted by March 31st and the City act on the requests by June 30th of each year. Recology submitted their request in a timely manner. Based on the provisions noted above, the proposed increases under Section 6.2 is 3.43% and under Section 6.3 is 2.96%, for a total increase of 6.39%. As noted in the attached Notice of Intent, the additional adjustment under Section 6.3 is due to the change in landfill locations from Altamont Pass to Hay Road Landfill. This change increased Recology's transportation and disposal charges by 47%. Since those costs are approximately 6.3% of their cost of collection, they are requesting the additional 2.96% increase.

Attached is the notice of intent from Recology, dated March 31, 2017. 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 May or June.

Amendment to Franchise Agreement: Under Section 5.15 – Liter Cleanup for City Properties, Recology currently provides manual cleanup services along the frontage of several City streets. Public Works Director Randy Breault identified that the current level of service being provided along Lagoon Way needs to be increased in order to meet the targets for on-land trash reduction mandated by the Regional Water Quality Control Board. Representatives at Recology reviewed the City's request to increase service along Lagoon Way and was amicable to amending the agreement to change the frequency of clean ups along Lagoon Way to bi-weekly with no additional cost. Staff reviewed and found the proposal reasonable and recommends approval of the amendment. Should the subcommittee concur, staff will bring an amendment to the franchise agreement to the full Council for approval at a future council meeting in May or June.

Fiscal Impact:
Based on these rates, the increase for a commercial 2-yard bin would be $38.13 per month, or $457.56 per year for Recology customers. There is no fiscal impact for the change from monthly to bi-weekly clean up along Lagoon Way.

Measure of Success:
Is solid waste removal able to continue efficiently for the community?

Attachments:
- Notice of Intent letter from Recology, dated March 31, 2017
- Rate Book for Recology

Maria Saguisag-Sid
Principal Analyst

Clay Holstine
City Manager

Recology
Sunset Scavenger
Golden Gate
San Francisco
WASTE ZERO

Received
3/31/2017

March 31, 2017

VIA EMAIL & HAND DELIVERY

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

RE: Notice of Intention to Increase Rates & Related Matters

Dear Mr. Holstine:

The purpose of this letter is to notify the City of Brisbane of Recology's intention to increase rates effective July 1, 2017 pursuant to the refuse rate index methodology set forth in the Franchise Agreement between the City and Recology.

We will also take this opportunity to advise the City of Brisbane of two extraordinary rate adjustments that we expect to implement on July 1, and to report the amount of our annual franchise fee payment and the diversion rate for our Zone 3 customers.

RRI Rate Adjustment

Section 6.2 of the Franchise Agreement provides that maximum rates shall be adjusted each July 1 using a refuse rate index consisting of the weighted average of certain index items as specified below. The annual percentage change in each index item and the calculation of the RRI Adjustment Percentage are also set forth below. Accordingly, maximum rates shall be increased by 3.43% effective July 1, 2017 under Section 6.2.

Cost Category	Weighting	Source/Index	Annual % Change in Source/Index	Weighted % Change
Fixed Labor	0.60	As per CBAs	1.62%	0.97%
Variable/Processing Costs	0.25	CPI(U)	3.53%	0.88%
Biodiesel Fuel	0.05	Fuel Index	31.67%	1.58%
			RRI Adjustment Percentage:	3.43%

Extraordinary Rate Adjustment

Section 6.3 of the Franchise Agreement provides that in addition to adjustments under Section 6.2, maximum rates shall be increased to pass through extraordinary increases in Recology's costs to provide services.

In our March 11, 2016 letter, we described an event that we believed would trigger such extraordinary increases – a change in landfill. We stated in the letter that we would request rate adjustments for such events, and provide additional details and documentation as part of our 2017 rate adjustment request. The following is additional information regarding this event:

Change in Landfill
In January 2015, Recology San Francisco 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 incurring additional costs in the form of transportation and disposal charges. As our disposal costs including transportation are approximately 6.3% of our costs of collection, and these disposal costs have increased 47%, we are requesting an additional 2.96% increase to the adjustment calculated above. Therefore, if approved, the total adjustment proposed totals 6.39% effective July 1, 2017.

In addition to the change in landfill, we have incurred additional costs associated with increased regulation at our compost facilities. Since organic material was approximately 0.1% of total volume generated under this agreement in the past year, we propose to waive, at this time, any adjustment associated with this cost. In the event volumes of organic material significantly increase in the future, we may request an adjustment associated with this extraordinary change in cost.

Franchise Fee Payment
Under Section 4.1 of the Franchise Agreement, Recology must make an annual franchise fee payment to the City on or before April 30 of each year. The franchise fee is 14% of Recology's gross revenues during the proceeding calendar year from the collection and disposal of solid waste within Zone 3. For calendar year 2016, these revenues amounted to $106,281.30. The franchise fee is therefore $14,879.38. We will remit payment before April 30.

Diversion Rate
Section 8.4 of the Franchise Agreement, requires Recology to provide the City with an annual written report setting forth Recology's best estimate of the diversion rate for its Zone 3 customers. We estimate based on volume and type of service, that the diversion rate for our Zone 3 customers was approximately 84% for calendar year 2016.

Thank you for your consideration. We would be happy to meet with City staff to discuss these matters at your earliest convenience.

Sincerely,

Mark Arsenault
Vice President and Group Manager
San Francisco Region
(415) 715-6240

cc: Randy Breault, Public Works Director, City Engineer
Maria Saguisag-Sid, Principal Analyst
John Porter, Recology SF Region Comptroller

RATE BOOK

UNIFORM COMMERCIAL RATES

Commercial rates include the following components:

- Volumetric charges shown are for trash service
- Recycling services are charged at 25% of the volumetric rate for trash *
- Composting services are charged at 75% of the volumetric rate for trash *
- There are separate charges for premium services, such as key, distance and elevation

* Except for roll-off compactors, which are charged at 25% (recycling) or 75% (composting) of the calculated rate.

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COMMERCIAL RATES

UNIFORM COMMERCIAL RATES

32 GALLON CARTS

NOTE: These rates apply to Carts located outside.
Carts located inside:
- Less than 100 feet from the curb will be charged 10% more.
- More than 100 feet from the curb will be charged 25% more.

Carts located 4 feet or more above or below ground level will be charged 25% more.

Rates listed below are for carts up to 45 pounds. Any weight exceeding 45 pounds will be charged an additional $0.0940 per pound.

Key Charges:

1 Per Week	=	$16.21
2 Per Week	=	$28.54
3 Per Week	=	$40.59
4 Per Week	=	$52.23
5 Per Week	=	$63.91
6 Per Week	=	$81.44
7 Per Week	=	$100.28
Saturday	=	$17.53
Sunday	=	$18.85

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PICKUPS	1 Cart
1 Per Week =	$59.35
2 Per Week =	$118.70
3 Per Week =	$178.01
4 Per Week =	$237.37
5 Per Week =	$296.72
6 Per Week =	$365.18
7 Per Week =	$442.83
Saturday =	$68.47
Sunday =	$77.64

FOR ADDITIONAL CONTAINERS: MULTIPLY TIMES PER WEEK BY THE NUMBER OF CANS.

COMMERCIAL RATES

UNIFORM COMMERCIAL RATES
64 GALLON CARTS

NOTE: These rates apply to Carts located outside.
Carts located inside:
- Less than 100 feet from the curb will be charged 10% more.
- More than 100 feet from the curb will be charged 25% more.

Carts located 4 feet or more above or below ground level will be charged 25% more.

Rates listed below are for carts up to 90 pounds. Any weight exceeding 90 pounds will be charged an additional $0.0940 per pound.

Key Charges:

1 Per Week =	$16.21
2 Per Week =	$28.54
3 Per Week =	$40.59
4 Per Week =	$52.23
5 Per Week =	$63.91
6 Per Week =	$81.44
7 Per Week =	$100.28
Saturday =	$17.53
Sunday =	$18.85

EXTRA PICK-UPS:
Regular = $37.91 Saturday = $51.17 Sunday = $68.26

PICKUPS	1 CART	2 CARTS	3 CARTS	4 CARTS	5 CARTS	6 CARTS	ADD'L CARTS (EACH)
1 Per Week =	$121.59	$225.19	$328.81	$431.90	$535.94	$639.49	$103.58
2 Per Week =	$231.22	$438.37	$645.52	$852.22	$1,059.42	$1,266.05	$207.16
3 Per Week =	$340.82	$651.10	$961.79	$1,272.53	$1,582.84	$1,893.52	$310.71
4 Per Week =	$450.37	$864.72	$1,278.54	$1,692.40	$2,106.73	$2,520.56	$414.26
5 Per Week =	$559.99	$1,077.41	$1,594.86	$2,112.71	$2,629.74	$3,147.62	$517.82
6 Per Week =	$694.11	$1,325.23	$1,969.36	$2,588.46	$3,218.85	$3,850.46	$631.54
7 Per Week =	$852.24	$1,617.98	$2,396.65	$3,150.30	$3,915.26	$4,681.35	$766.04
Saturday =	$134.12	$247.82	$374.51	$475.77	$589.11	$702.83	$113.72
Sunday =	$158.13	$292.74	$427.28	$561.83	$696.41	$830.91	$134.48

COMMERCIAL RATES

UNIFORM COMMERCIAL RATES
96 GALLON CARTS

NOTE: These rates apply to Carts located outside.
Carts located inside:
- Less than 100 feet from the curb will be charged 10% more.
- More than 100 feet from the curb will be charged 25% more.

Carts located 4 feet or more above or below ground level will be charged 25% more.

Rates listed below are for carts up to 135 pounds. Any weight exceeding 135 pounds will be charged an additional $0.0940 per pound.

Key Charges:

1 Per Week =	$16.21
2 Per Week =	$28.54
3 Per Week =	$40.59
4 Per Week =	$52.23
5 Per Week =	$63.91
6 Per Week =	$81.44
7 Per Week =	$100.28
Saturday =	$17.53
Sunday =	$18.85

EXTRA PICK-UPS:
Regular = $50.60 Saturday = $68.32 Sunday = $91.08

PICKUPS	1 CART	2 CARTS	3 CARTS	4 CARTS	5 CARTS	6 CARTS	ADD'L CARTS (EACH)
1 Per Week =	$162.30	$299.66	$438.37	$576.13	$714.41	$852.22	$137.76
2 Per Week =	$308.41	$584.52	$860.51	$1,136.15	$1,412.24	$1,688.25	$275.58
3 Per Week =	$454.52	$868.41	$1,282.23	$1,696.62	$2,110.43	$2,524.30	$413.37
4 Per Week =	$600.61	$1,152.37	$1,704.41	$2,256.57	$2,808.66	$3,360.79	$551.15
5 Per Week =	$746.82	$1,436.73	$2,126.64	$2,816.55	$3,506.45	$4,196.85	$688.92
6 Per Week =	$925.34	$1,766.84	$2,608.97	$3,450.47	$4,292.08	$5,134.59	$841.06
7 Per Week =	$1,136.20	$2,157.15	$3,178.66	$4,199.62	$5,220.62	$6,242.54	$1,020.44
Saturday =	$178.52	$330.11	$482.33	$633.91	$785.63	$937.74	$152.15
Sunday =	$210.88	$390.31	$569.70	$749.15	$928.54	$1,107.95	$179.38

COMMERCIAL RATES

UNIFORM COMMERCIAL RATES FOR CONTAINERS

NOTE: These rates apply to containers located outside.
Containers located inside:
- Less than 100 feet from the curb will be charged 10% more.
- More than 100 feet from the curb will be charged 25% more.

Containers located 4 feet or more above or below ground level will be charged 25% more.

EXTRA PICK-UPS (per yard):
Regular = $90.57 Saturday = $122.31 Sunday = $162.95

Key Charges:

1 Per Week =	$16.21
2 Per Week =	$28.54
3 Per Week =	$40.59
4 Per Week =	$52.23
5 Per Week =	$63.91
6 Per Week =	$81.44
7 Per Week =	$100.28
Saturday =	$17.53
Sunday =	$18.85

Uncompacted weight: 300 pounds per yard, plus $9.40 per 100 pounds ($0.0940 per pound) over 300 pounds.

PICKUPS	1 YD	1.5 YDS	2 YDS	2.5 YDS	3 YDS	4 YDS	6 YDS	7 YDS
1 Per Week =	$356.57	$548.41	$634.87	$793.98	$885.51	$1,107.02	$1,572.19	$1,833.90
2 Per Week =	$634.87	$969.67	$1,195.78	$1,495.41	$1,704.89	$2,184.87	$3,099.53	$3,616.47
3 Per Week =	$952.12	$1,454.23	$1,793.68	$2,242.67	$2,523.84	$3,232.67	$4,583.39	$5,346.86
4 Per Week =	$1,269.32	$1,938.87	$2,391.56	$2,990.39	$3,321.02	$4,250.94	$6,022.42	$7,026.31
5 Per Week =	$1,586.99	$2,423.47	$2,989.46	$3,738.13	$4,096.53	$5,240.03	$7,417.57	$8,653.50
6 Per Week =	$2,068.37	$3,163.77	$3,846.78	$4,807.20	$5,291.40	$6,734.57	$9,327.75	$11,129.69
7 Per Week =	$2,709.75	$4,151.02	$4,989.37	$6,236.52	$6,884.90	$8,727.10	$12,157.25	$14,021.61
Saturday =	$481.38	$740.31	$857.31	$1,069.07	$1,194.88	$1,494.55	$1,910.19	$2,476.21
Sunday =	$641.37	$987.25	$1,142.60	$1,429.32	$1,593.51	$1,992.54	$2,829.50	$2,891.91

COMPACTOR RATES

FRONT LOAD COMPACTOR RATES

PER YARD
Compacted = $116.53 Saturday = $128.13 Sunday = $141.02

Compacted weight: 450 lbs. per yard, plus $9.40 per each 100 lbs. over 450lbs..

Rate Calculation Formula: Compacted Yards x Rate x 4.33

Yards	Regular	Saturday	Sunday
0.5	$252.29	$277.40	$305.31
0.75	$378.43	$416.10	$457.96
1	$504.57	$554.80	$610.62
1.5	$756.86	$832.20	$915.92
2	$1,009.15	$1,109.61	$1,221.23
2.5	$1,261.44	$1,387.01	$1,526.54
3	$1,513.72	$1,664.41	$1,831.85
4	$2,018.30	$2,219.21	$2,442.47
4.5	$2,270.59	$2,496.61	$2,747.77
5	$2,522.87	$2,774.01	$3,053.08
6	$3,027.45	$3,328.82	$3,663.70

ROLL-OFF COMPACTOR RATES

Transportation Charge
$577.12 per pull

Disposal Charge
$187.96 per ton
$187.96 per ton Overweight Charge

Container Rotation Charge
$323.33 per pull

Rate Calculation Formula:
Transportation Chg. + Disposal Chg. + 10% + Rotation Chg.* = Per Pull Compactor Rate
* If applicable

DEBRIS BOX RATES

Debris Box Size	Monday-Friday Price	Saturday Price	Max. Weight
6yd	$691.16	$794.15	Clean fill only
9yd	$737.07	$847.51	Clean fill only
15yd	$691.16	$794.15	4,000 lbs.
20yd	$787.95	$905.83	6,000 lbs.
30yd	$970.35	$1,115.53	7,000 lbs.
40yd	$1,067.14	$1,228.45	8,000 Lbs
14yd covered	$743.27	$856.19	4,000 lbs.
20yd covered	$853.72	$980.28	6,000 lbs.

Overweight charged at **$187.96** per/ton in excess of allowed weight.

6 & 9yd dirt/concrete boxes must be clean fill only-no bricks, wood, metal or trash

NO serpentine rock, metal, organic debris, or trash. Such loads must be dumped as general debris