

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

February 9, 2009

## **SUBJECT**

Solid Waste Collections Rate Increase

## **RECOMMENDATION**

It is recommended that the City Council approve by resolution a 1.6% increase in the overall revenue requirement for Allied Waste Industries, the City's franchised waste hauler, effective February 10, 2009 and approve the implementation of a progressive rate structure for commercial subscribers. For typical residential customers who have one 32-gallon container picked up once a week, the increase will amount to \$0.24 per month.

## **BACKGROUND**

Each year the franchised solid waste collection agent, Allied Waste Industries (Allied), submits a rate request application to the South Bayside Waste Management Authority (SBWMA) of which Redwood City is a member. The SBWMA is a joint powers authority consisting of 12 public agencies which comprise the contiguous Allied service area from Burlingame to East Palo Alto and which acts as a collective bargaining agent on behalf of member jurisdictions. The SBWMA engages a consultant, Hilton Farnkopf and Hobson (HF&H), to review the rate application for compliance with the rate-setting methodology contained in the franchise agreement.

Allied's profit is calculated on the operating ratio method using a factor of 91%. Under this arrangement Allied is entitled to 9 cents profit for each 91 cents of operating expenses. Allied also incurs other costs, known as "pass-through costs," upon which Allied is not entitled to earn a profit. The most significant pass-through costs are the costs of disposing solid waste. Since Allied owns the landfill and earns a profit from the landfill operations, Allied is not allowed to earn a profit on these costs as doing so would allow Allied to earn profits upon profits.

Consistent with past practice and the franchise agreement between Allied and the City, Allied submitted their rate application in August 2008. HF&H reviewed this rate application and after making a number of adjustments, that were agreed to by Allied, recommends that the City increase Allied's collection rates by 1.6%

While a 1.6% increase in overall rates is requested, not all subscribers will experience a 1.6% rate increase as it is also being proposed that the Council also approve the completion of the transition to an equalized volume-based rate structure for residential customers that began with the adoption of the 2008 rates. Under an equalized volume-based rate structure all residential customers will pay the same amount per gallon regardless of waste generated. Doing so will remove any inequities that presently exist in the rate structure. The only recommended exception is to set the per gallon rates for the 20 gallon lifeline service tier at 40 cents per gallon compared to the rates for the other container sizes which are 60 cents per gallon.

**ANALYSIS OF 2009 RATE INCREASE**

Allied's 2009 Operating expenses are expected to increase about 5% primarily due to 1) labor-related costs (2.6%) and 2) higher disposal fees at the transfer station (2.2%). Offsetting this 5% increase in projected operating costs are 1) 2008 revenues trending 3.1% higher than expected (which will be the base for the 2009 revenues) and 2) 0.3% available in the City's balance account due to prior year's revenues being slightly higher than required.

**PUBLIC NOTICE**

In July 2006, the California Supreme Court determined that water consumption charges are property-related charges and increases in such charges are subject to the procedural provisions of Proposition 218. As a result of this decision, many public agencies are now also following the procedural provisions of Proposition 218 for increasing solid waste rates as there is some chance that the Court would also find that these charges are property-related fees. Accordingly, staff followed the procedural provision of Proposition 218 and mailed notices of this proposed rate increase to all addresses in Redwood City that receive solid waste services advising subscribers and property owners of this recommended rate increase.

Under certain provisions contained within Proposition 218, if a majority of the affected property owners files a written protest against the proposed rate increase, the governing body may not approve the proposed increase.

Since the deadline for submitting such written protests is 5:00 p.m. on Monday, February 9, staff will advise the Council with the number of protests filed as part of the oral presentation of this recommendation at the Council meeting.

Subsequent to the preparation and distribution of these notices staff was advised that a recommended overall rate increase of 1.6% is required as opposed to the 2.2% increase mentioned in the notice. Since this is less than the rate increase listed in the notice adopting a 1.6% increase is permissible.

**UTILITIES COMMITTEE RECOMMENDATION**

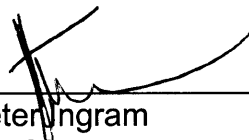
The Council Utilities Committee reviewed this matter at their October 8, 2008 and December 10, 2008 meetings and recommends that this be brought before the full Council for consideration.

**FISCAL IMPACT**

Since the City, in accordance with the franchise agreement, does not pay Allied for the collection of the City's solid waste, there will be no cost impact to the City if this rate increase is approved. This practice is consistent for all SBWMA members.



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Brian Ponty  
Director of Finance



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Peter Ingram  
City Manager

**ATTACHMENTS**

1. Resolution adopting the Allied Solid Waste Collection Rates Schedule Effective February 10, 2009
2. Previous Allied Solid Waste Collection Rates Schedule Effective February 2, 2008

**RELATED DOCUMENTS IN CITY CLERK'S OFFICE**

None

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION ESTABLISHING SOLID WASTE COLLECTION RATES FOR THE CITY OF REDWOOD CITY**

**WHEREAS**, pursuant to agreement with the South Bayside Waste Management Authority, a rate analysis has been conducted regarding solid waste collection rates in the City of Redwood City; and

**WHEREAS**, upon the recommendation of said Authority, of which this City is a member agency, revisions to the rates of charge for said purposes have been proposed; and

**WHEREAS**, pursuant to the provisions of Section 14.31 of the Municipal Code of the City of Redwood City, schedules of charges for such purposes shall be established by resolution of this Council;

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF REDWOOD CITY, AS FOLLOWS:**

1. The schedule of charges for solid waste collection services in the City of Redwood City is hereby established as set forth in Exhibit "A," attached hereto and by this reference incorporated herein.
2. This resolution shall be effective February 10, 2009.

\* \* \*

**CITY OF REDWOOD CITY  
ALLIED SOLID WASTE COLLECTION RATES SCHEDULE  
EFFECTIVE FEBRUARY 10, 2009**

<b>Residential Monthly</b>		<b>Commercial Monthly</b>					
<b>Capacity</b>	<b>Each Can</b>	<b>Subscription Level (yards per week)</b>	<b>New Monthly Rate \$/Yard</b>				
	\$						
20 gallons (one container only)	8.00	1-10			89.23		
20 gallons (two or more containers)	12.00	11-20			91.91		
32 gallons	19.20	21-30			94.67		
40 gallons	24.00	31-50			97.51		
45 gallons	27.00	51+			100.44		
50 gallons	30.00						
60 gallons	36.00						
64 gallons	38.40						
90 gallons	54.00						
95 gallons	57.00						
			<b>One 1 Yard</b>	<b>One 2 Yard</b>	<b>One 3 yard</b>	<b>Two 3 yard One 6 Yard</b>	<b>Three 3 Yard</b>
			\$	\$	\$	\$	\$
<b>Special Pick Up</b>			59.41	81.01	103.96	171.46	234.91
<b>Compacted Rate</b>			41.85 per yard per pick-up (includes recycling charge)				
<b>Pullout Charges for Commercial, Refuse and Recycling Containers</b>							
		5-10 feet	2.60				
		11-20 feet	5.19				
		21-30 feet	7.80				
		31-40 feet	10.40				
		41-50 feet	12.99				
		51-60 feet	15.36				
		Each additional 10 feet	2.60				

\* A \$2.37 rental fee will be added for the 95 gallon toter cans.

*These charges include recycling surcharge*

For special pick-ups, call Allied (650) 592-2411.

**CITY OF REDWOOD CITY**  
**ALLIED SOLID WASTE COLLECTION RATES SCHEDULE**  
**EFFECTIVE FEBRUARY 12, 2008**

<b>Residential Monthly</b>		<b>Commercial Monthly</b>					
<b>Capacity</b>	<b>Each Can</b>	<b>Subscription Level (yards per week)</b>	<b>New Monthly Rate \$/Yard</b>				
	\$						
20 gallons (one container only)	7.79	1-10				87.82	
20 gallons (two or more containers)	9.85	11-20				90.46	
32 gallons	18.96	21-30				93.17	
40 gallons	19.71	31-50				95.97	
45 gallons	28.17	51+				98.84	
50 gallons	28.17						
64 gallons	32.46						
90 gallons	45.72						
95 gallons	51.27						
			<b>One 1 Yard</b>	<b>One 2 Yard</b>	<b>One 3 yard</b>	<b>Two 3 yard One 6 Yard</b>	<b>Three 3 Yard</b>
			\$	\$	\$	\$	\$
<b>Special Pick Up</b>			58.47	79.73	102.32	168.76	231.21
<b>Compacted Rate</b>			41.19 per yard per pick-up (includes recycling charge)				
<b>Pullout Charges for Commercial, Refuse and Recycling Containers</b>							
		5-10 feet	2.56				
		11-20 feet	5.11				
		21-30 feet	7.68				
		31-40 feet	10.24				
		41-50 feet	12.79				
		51-60 feet	15.12				
		Each additional 10 feet	2.56				

\* A \$2.33 rental fee will be added for the 95 gallon toter cans.

*These charges include recycling surcharge*

For special pick-ups, call Allied (650) 592-2411.