



CITY OF
HAYWARD
HEART OF THE BAY

**New Solid Waste, Recycling, and Organics
Services Franchise Agreement
with
Waste Management of Alameda County
January 20, 2015**

Alex Ameri, Director of Utilities & Environmental Services



Background

➤ Current Franchise Agreement

- Effective through May 31, 2015
- Ultimate expiration date: October 29, 2017
- WMAC provides all services except residential recycling
- Tri-CED provides residential recycling



Background (continued)

- In July 2013, Council considered its options
 - Request For Proposals
 - Negotiating with WMAC
- Council directed staff to negotiate first



Discussion

Council's Desired Outcomes:

1. Low rates
2. Service enhancements
3. Meeting state and local regulations
4. Reducing landfilled waste and increasing diversion
5. WMAC to mitigate its impact on City's infrastructure



Discussion

WMAC's Goals:

- Enhanced revenues
- Meet City's service expectations

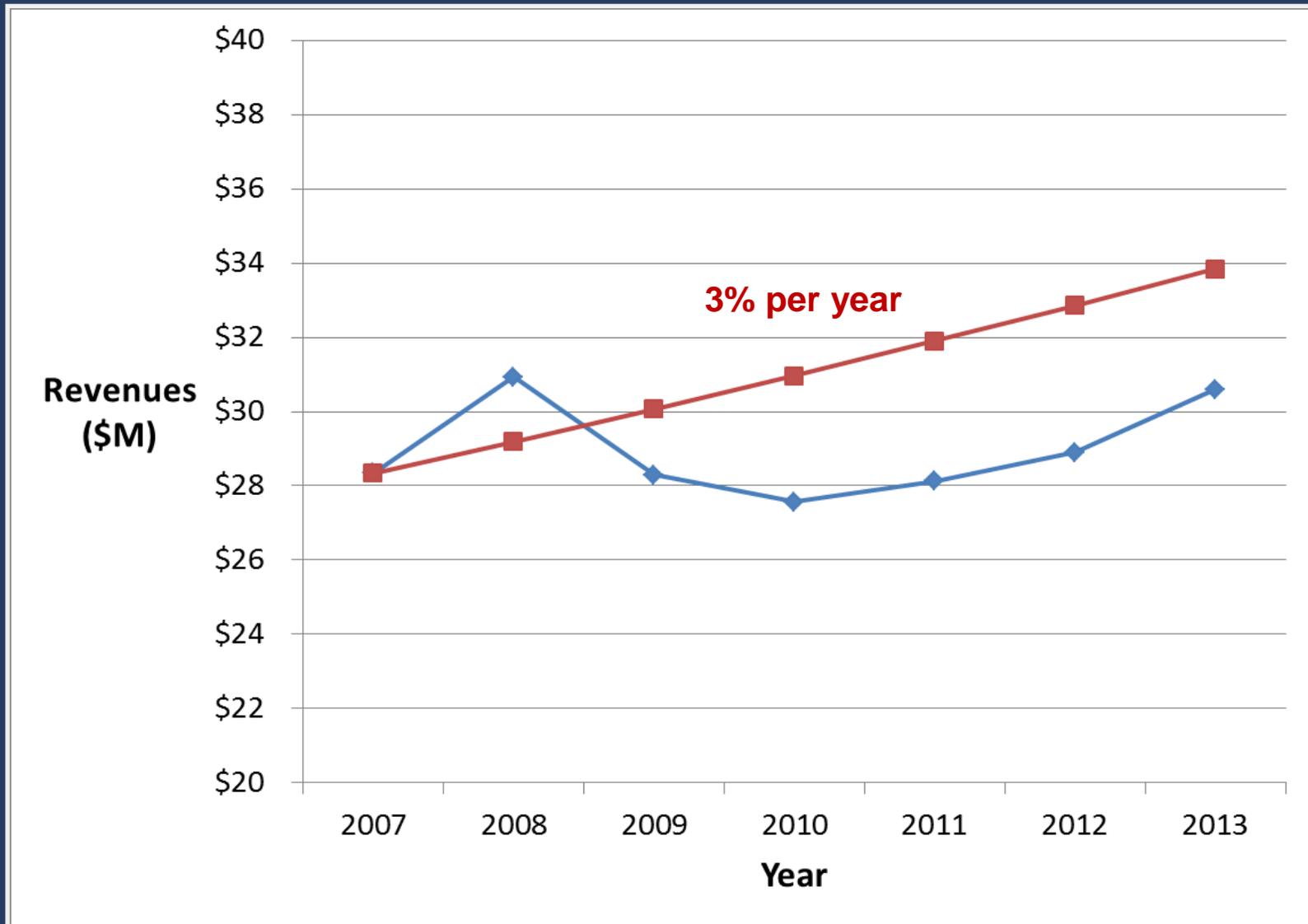


Why is there a need to increase rates?

- Unrealistic and unrealized expectations for economic and population growth
- Using annual rate adjustment mechanisms that, by design, can't keep up with inflation
- Result is an ever widening gap between costs and revenues



Hayward's Current Contract Revenue (blue)



Examples of Recent Adjustments:

Current City Contract: 31.6% (2007)

Castro Valley: 40% (2012)

Newark: 25% (2012)

Oakland: 36% (2014, Pending)



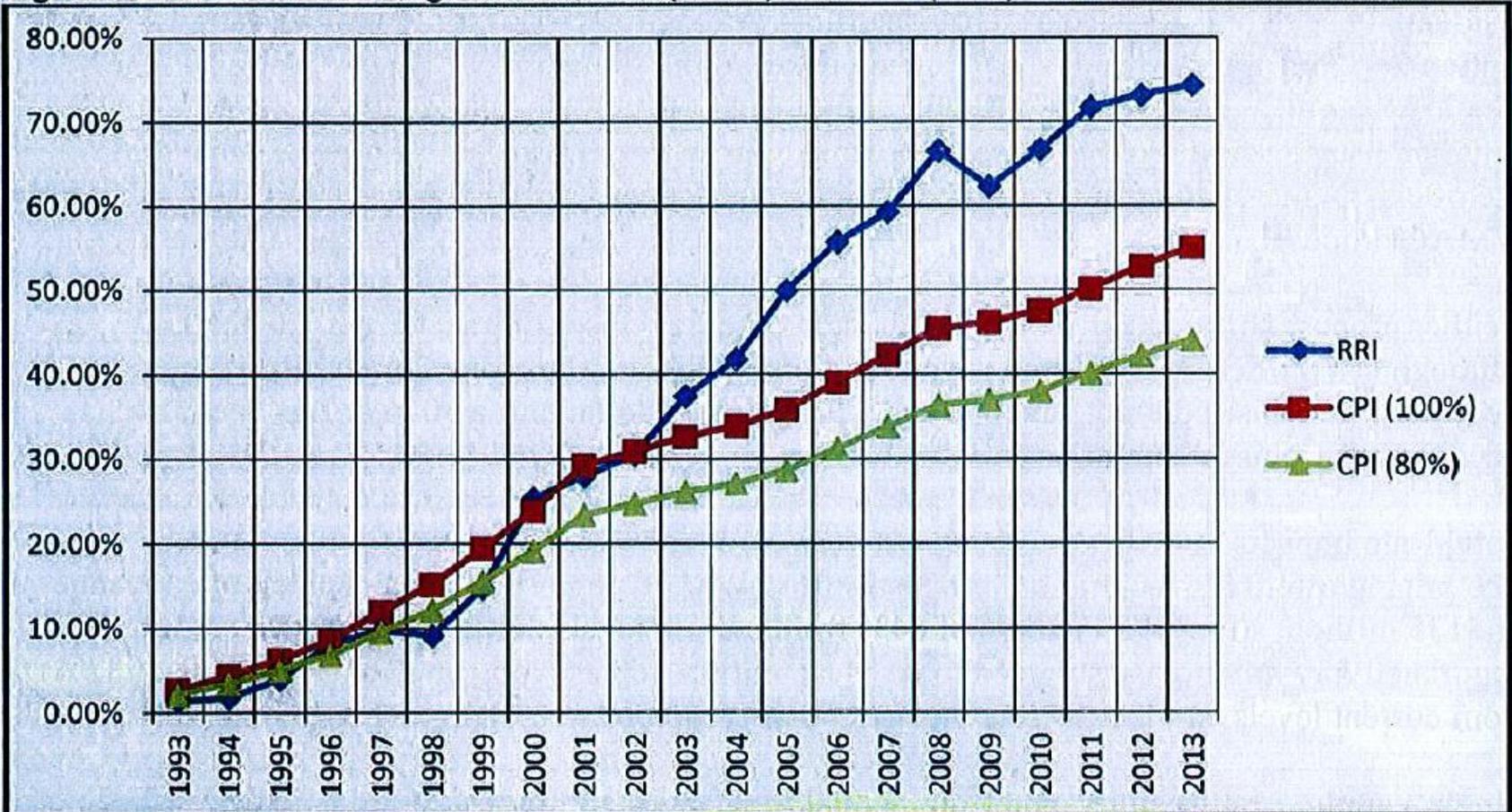
To close the gap:

- WMAC asked for 20%, then 30%, then as much as 40% increase in rates
- Inclusion of WMAC's labor increases in rates (so-called Refuse Rate Index - RRI)



Graph from Oakland:

Figure 3. Cumulative Change in RRI, CPI (100%) and CPI (80%) 1993-2013



Source: Bureau of Labor Statistics (BLS) website; CPI - Series ID: cuura422sa0 Consumer Price Index, All Urban Consumers, All Items - Bay Area. RRI consists of 5 indices: Labor Series ID: ceu6056210008 Service Producing Industries; Diesel Fuel Series ID: wpu057303 #2 Diesel Fuel; Vehicle Replacement Series ID: pcu336211336211 Truck, bus, car, and other vehicle bodies, for sale separately; Vehicle Maintenance Series ID: pcu3339243339243 Parts and attachments for industrial work trucks; All Other Series ID: cuura422sa0 Consumer Price Index, All Urban Consumers, All Items - Bay Area.



City Team's Alternative Proposal:

- 10% increase in revenue in year one, plus the cost of new services directed by City
- 3% rate increase in years two and three
- CPI in following years (3% min, 6% max)
- No labor component in rates
- In year 3 City would review WMAC's expenses and revenues and adjust rates if necessary



WMAC's Response:

- Requested assurance of a 10% after tax Return on Investment (ROI) in year four
- City Countered at 5.5%
- Final negotiated figure: 5.5% after tax ROI in year four



Draft Agreement Terms:

- Duration: 7 years + 3 one-year extensions
- Revenue (and/or Rate) Increases:

Year 1: 10% + cost of new services

Years 2 and 3: 3% per year

Year 4: Adjust to achieve ROI of 5.5%
(Rate increase capped at 10%)

Years 5 to 10: CPI (3% min, 6% max)



Year Four Rate Review:

- WMAC to provide audited financials
- WMAC will pay cost of City review



What if the Required Rate Increase Exceeds 10%?

- WMAC Options
 - Accept 10%, or
 - Request a higher increase
- If WMAC requests a higher increase
 - City can accept
 - City can refuse
- If City refuses the higher increase, WMAC can:
 - Accept 10%, or
 - Give City notice to terminate
- In case of notice to terminate, City will have at least 36 months to find another service provider



New or Enhanced Services

- Increased Diversion from Landfill
 - 15,000 additional tons to help City achieve its future diversion goals
- 2nd Annual bulky pickup for cart customers
- New bulky pickup for multi-family properties (similar to single-family)



New or Enhanced Services (cont'd)

- Illegal Dumping Assistance
 - Six pickups per week
- New Trash Receptacles
 - 20 pairs of Big Belly receptacles
 - 50 conventional receptacles
- Organics Collection for Multi-Family
- Commercial recycling for all businesses



Bin Service for Recyclables for Multi-Family

- Currently cart-based service provided by Tri-CED
- A few complex managers have asked for bin service
- Tri-CED currently does not provide bin service
- WMAC can provide bin service
- Qualified large complexes to be allowed to switch to bin service
- Zero impact on revenue to Tri-CED
- A nominal charge, set at 20% of comparable garbage cost, will apply to bin service



Coupons for Self-Haul:

- Coupons allow disposal of 2-cubic yard of trash at Davis Street
- Currently up to 1,200 coupons per year are provided
- New terms call for one free coupon per year to each customer upon request
- Coupons also available at WMAC's Hayward office



Main Street Customer Service Office:

- To remain open in downtown to serve all WMAC's customers



Street Impact Fee:

- Council expressed a desire for company to take responsibility for impact on City streets
- New franchise to include a fee equivalent to 1% of annual revenue
- Begins in year two



Street Cleaning Fee:

- Currently 2.5% of annual revenue
- No change



Measure D Fund Augmentation

- City receives funds from StopWaste in proportion to (steadily decreasing) garbage that is landfilled
- Fund pays for recycling and sustainability programs and staff costs
- Also pays for public education and programs, such as Earth Day Poster & Essay Contest
- Beginning in year four, WMAC to provide 1% of revenue per year



Potential Sources of Revenue:

- Rate increases (Generally less than 10%)
- New Commercial Recycling Service Fee
- Enhanced C&D revenue by enforcing current rules
- Demurrage (retention) charge for drop boxes



Commercial Recycling:

- Currently free of charge (pilot program)
- Free program not sustainable
- Proposed commercial recycling rate:
 - Years 1 and 2: 20% of comparable garbage rates
 - Years 3 to 5: Add 10% a year to reach 50%
 - Years 6 on: Capped at 50% of comparable garbage rate



Phase II of ACWMA Mandatory Recycling & Organics Collection Ordinance

- In 2012, ACWMA Board adopted Ordinance to regulate commercial recycling & organics collection
- Phase I: Commercial recycling for large businesses and all Multi-Family properties
- Phase II: Commercial recycling for all businesses and organics collection for Multi-Family properties and food generating businesses



Phase II Of ACWMA Ord (Continued)

- Council opted into Phase I in 2012
- Phase II was deferred until new Franchise
- Staff recommends opting into Phase II
 - Effective Date March 1, 2015
 - Enforcement of Organics Collection Jan 1, 2016
 - Enforcement of Commercial Recycling Jan 1, 2017



MOU with Oro Loma Sanitary District

- Some areas of City are in OLSD service area
- For consistency of service, City has been providing recycling services
- Extension of a current MOU with OLSD will allow City to continue to do so
- OLSD has signed the MOU



Fiscal Impact

- Negotiations and drafting of new Agreement had no impact on General Fund
- WMAC to pay cost of City Consultant
- Higher General Fund revenues from increased Franchise Fees
- Increased Street Cleaning revenues
- Street maintenance will begin to receive funding in year two
- Recycling Fund will see a boost in year four



Economic Impact:

- Rate increases to residential and commercial customers
- New rates for services currently provided at no charge, such as commercial recycling
- Hayward rates will remain competitive with neighboring jurisdictions



First Year Rate Increases:

- Single-Family Rate Increase: 9.23%
- Multi-Family Rate Increase: 8.5% to 10%
(Garbage: 6.15%, Recycling: 10.98%)
- Mobile Home Parks: 7.23 to 9.23%
- Commercial Rate Increase: Varies
(Garbage & organics: 6.15%, Recycling: varies)
 - A business with 3-CY G, 1-CY O, 1-CY R will see a 13.1% increase.
 - Some will see higher percentages



How Would City's Residential Rates Compare?

- Current City residential monthly rate: \$27.29
- Rates in area jurisdictions:

Newark (Republic) \$28.91

Hayward's New Rate \$29.81

Fremont (Republic) \$33.39

Oakland (WMAC) \$36.82 Effective July 2015

Castro Valley (WMAC) \$36.92

Union City (Republic) \$39.43



How Would City Multi-Family Rates Compare?

- Current Hayward monthly rate (50 DU): \$594.66
- Rates in area jurisdictions:

Newark (Republic) \$444.61

Fremont (Republic) \$489.30 No Organics Service

Hayward's New Rate \$645.28

Castro Valley (WMAC) \$696.78

Union City (republic) \$705.03

Oakland (WMAC) \$1,109.35 Effective July 2015



How Would City Commercial Rates Compare?

- Current Hayward monthly rate: \$367.37
- Rates in area jurisdictions:

Fremont (Republic) \$377.42

Hayward's New Rate \$415.32

Newark (Republic) \$444.61

Union City (Republic) \$451.29

Castro Valley (WMAC) \$696.78

Oakland (WMAC) \$782.26 Effective July 2015



Additional Information

- Lower rates available for qualified low income individual customers
- The rates include parity wages for Tri-CED's recycling workers



Public Contact and Prop 218 Notice:

- Public outreach made
- Input received from Chamber of Commerce and Rental Housing Association
- Notice of rate increase, in accordance with state law (Prop 218), prepared and mailed to all property owners and rate payers
- Notice of Public Hearing published in the Daily Review



Protests Received:

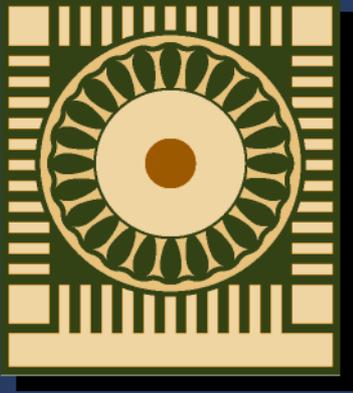
- 60,145 rate increase notices mailed to 34,357 properties (Including tenant rate payers)
- 35 protests letters received so far
- Petitions from two mobile home parks (Eden Gardens & Pueblo Springs) with 128 signatures
- Legal threshold for Council not approving the rate increase is 17,179 valid protests (50% of properties)



Schedule:

October 14, 2014	Council Worksession
December 5, 2014	Prop 218 notices mailed
January 20, 2015	Council to hold public hearing
January 27, 2015	Council to adopt Ordinance
March 1, 2015	Begin new services





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Discussion

