

CITY OF  
**HAYWARD**  
HEART OF THE BAY

# Update on Negotiations with Waste Management of Alameda County

For Continuation and Enhancement of Garbage, Recycling, and  
Organics Collection and Processing Services

October 14, 2014

Alex Ameri, *Director of Utilities & Environmental Services*



# Background

- Current Franchise Agreement effective through May 31, 2014
- Seven years and three one-year extensions
- Currently in first year extension – now scheduled to expire May 2015



# Background (continued)

- In July 2013, after considering its options, Council directed staff to negotiate with WMAC
- Extension to include current services and enhancements



# Discussion

## Council's Desired Outcome:

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

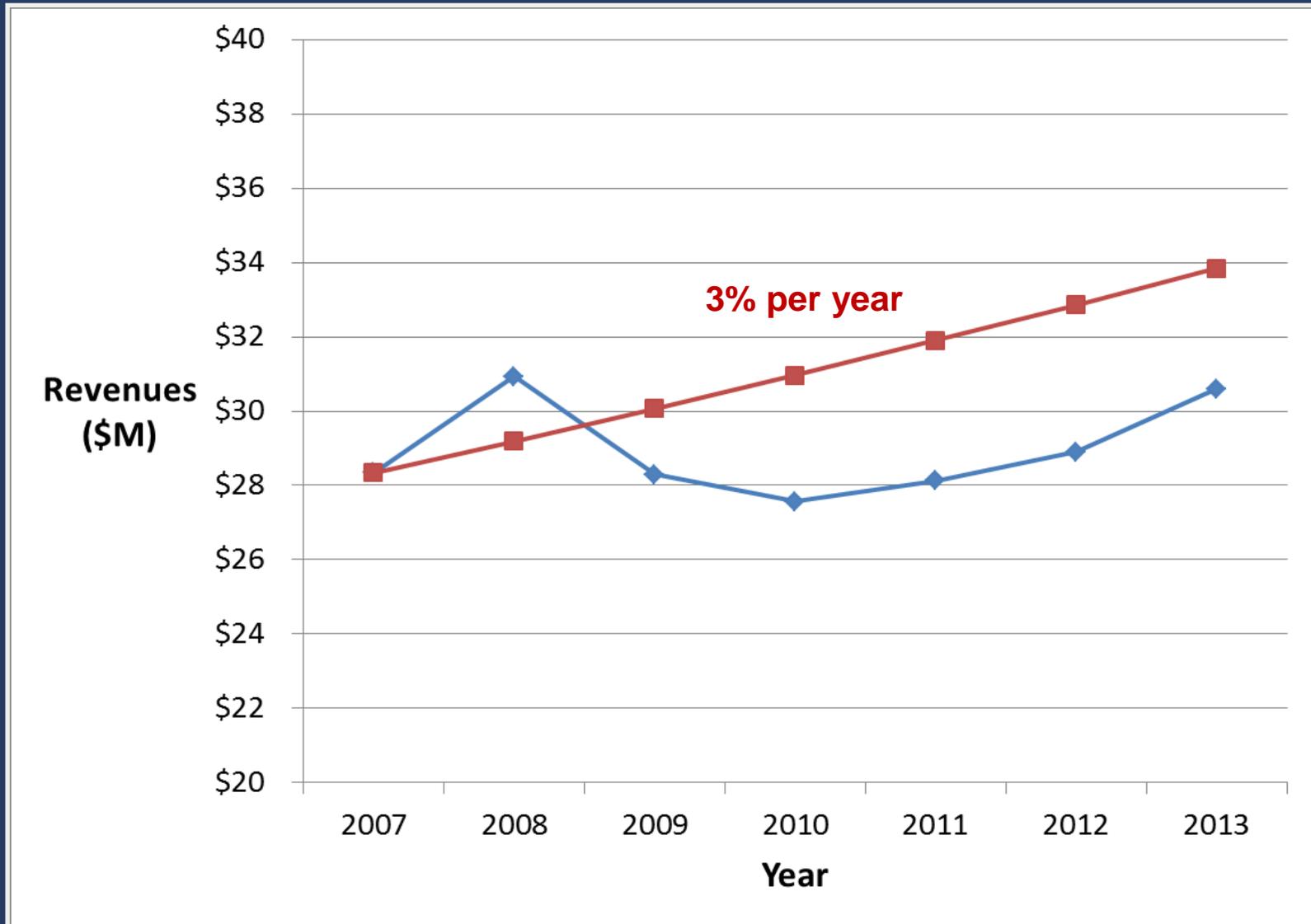


# Why is there a need to “adjust” rates?

- 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:



# Examples of Past Required Adjustments:

Current City Contract: 31.6% (2007)

Castro Valley: 40% (2012)

Newark: 25% (2012)

Oakland: 36% (2014, Pending)



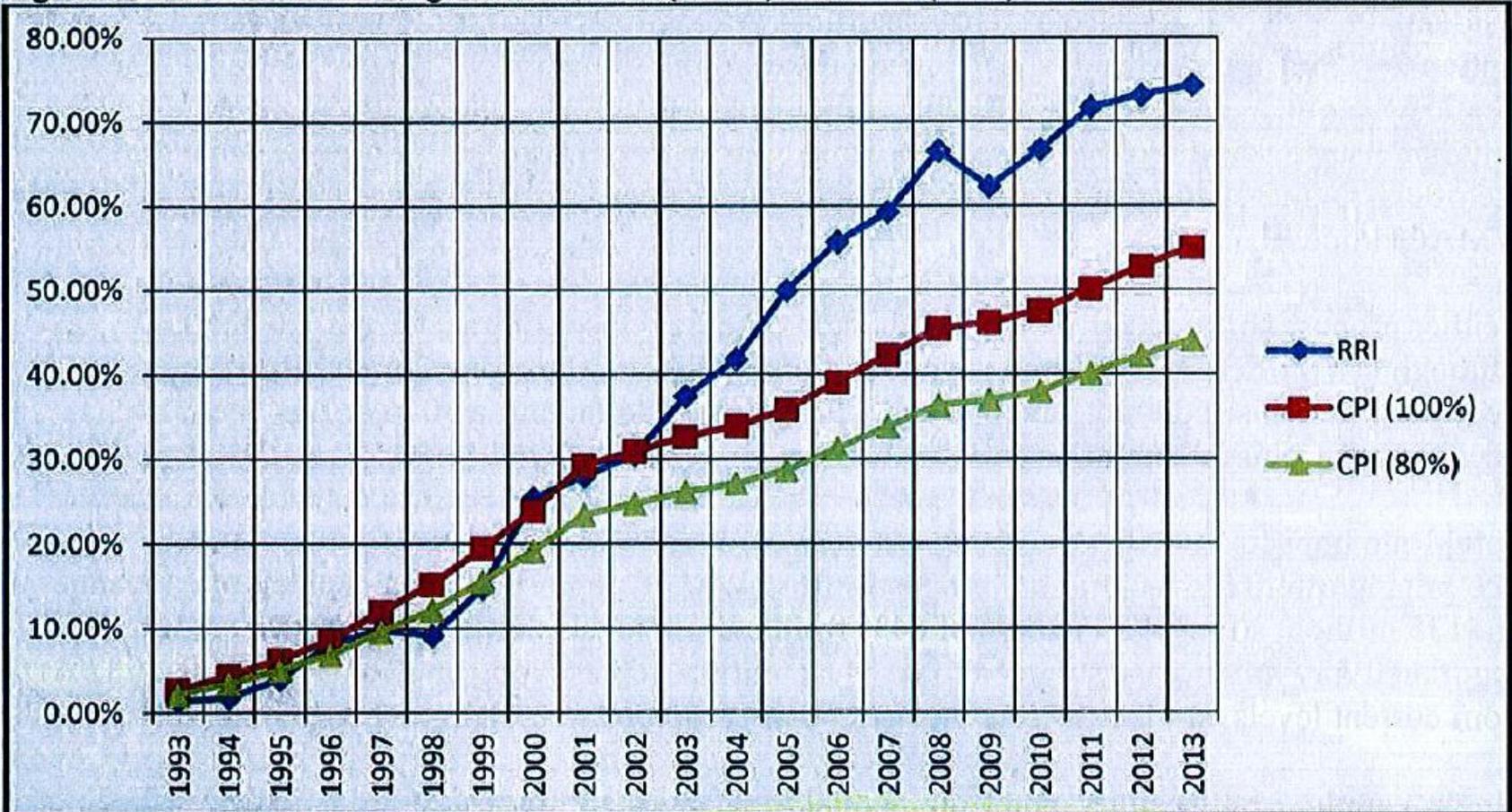
# To close the gap:

- 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.



# To close the gap:

- City Team could not to agree to either
- City Team and WMAC explored other alternatives



# City Team's Offer:

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

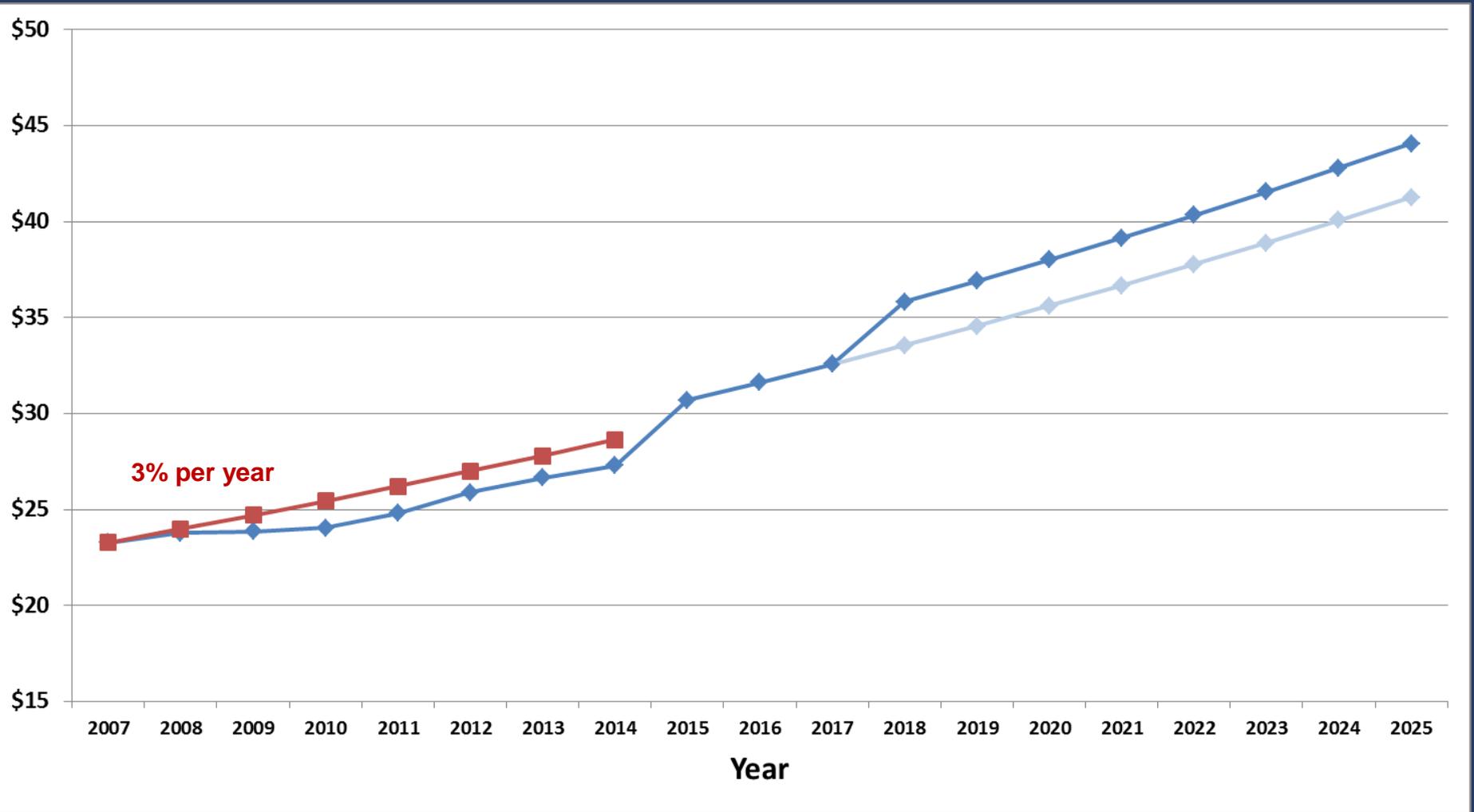


# WMAC's Counter Proposal:

- Would consider only if WMAC can be assured of a 10% after tax Return on Investment (ROI) in year four
- Final negotiated figure: 5.5% after tax ROI in year four



# Agreed Rate Adjustment Graph:



# Draft Agreement Terms:

- Duration: 7 years + 3 one-year extensions
- Franchise Fee %: No change
- Revenue (and/or Rate) Increases:

Year 1: 10% + cost of new services

Years 2 and 3: 3%

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
- Adjust rates to provide WMAC an after-tax ROI of 5.5%
- Required increase capped at 10%



# 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 Enhances Services and Costs

- Increased Diversion from Landfill
  - 15,000 additional tons to help City achieve its future diversion goals
  - Cost: TBD
- 2<sup>nd</sup> Annual Bulky Pick Up for Cart Customers
  - Cost: \$57,000 annually
- Bulky Pickup for Multi-Family Similar to Single-Family:
  - Cost: \$164,240 annually



# New or Enhanced Services and Costs (cont'd)

- Illegal Dumping Assistance
  - Cost: \$46,000 annually
- Trash Receptacles
  - 20 pairs of Big Belly receptacles at \$66,652 (one-time cost)
  - Staff assessing need for conventional receptacles
- Organics Collection for Multi-Family
  - Cost: TBD



# 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 this service
- Qualified large complexes to be allowed to switch to bin service
- Zero impact on revenue to Tri-CED
- Bin-service surcharge to be set at 20% of comparable garbage cost



# Coupons for Self-Haul:

- Currently up to 1,200 coupons per year are provided
- New terms call for a free coupon to each customer every year



# Main Street Customer Service Office:

- To remain 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
- Will begin in year four



# Street Cleaning Fee:

- Currently 2.5% of annual revenue
- No change



# Measure D Fund Augmentation

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



# Potential Sources of Revenue:

- Rate increases
- Commercial Recycling Service Fee
- Demurrage (retention) charge for drop boxes



# Rate Impact:

- General rate increases for both residential and commercial customers should be less than 10% in year one
- The rest of the revenue will come from rates on services currently provided free of charge



# Commercial Recycling:

- Currently free of charge (pilot program)
- Pilot program not sustainable
- Proposed commercial recycling rate:
  - Years 1 and 2: 20% of garbage rates
  - Years 3 to 5: Adjust to reach 50%
  - Years 6 on: 50% of comparable garbage rate



# Fiscal Impact

- Negotiations and drafting of new Agreement have no impact on General Fund
- WMAC to pay cost of City Consultant
- General Fund to see higher revenues from increased Franchise Fees
- Street cleaning will see higher revenues
- Street maintenance will see a boost in year four
- Measure D Recycling Fund will see a boost in year four



# Economic Impact:

- Residential and commercial customers to see across the board increases of up to 10%
- There will be new rates for services that are provided free of charge today, such as commercial recycling
- However, Hayward rates will remain competitive with neighboring jurisdictions



# How Would Hayward Rates Compare?

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

Newark (Republic) \$27.72 (Will adjust again in the fall)

Hayward's New Rate \$TBD

Fremont (Republic) \$33.39 (Approved a 9% increase in January 2014)

Oakland \$36.82 (23.5% increase, with RRI+1.5% increases in years 2-5)

Castro Valley (WMAC) \$36.92 (After bid process, a 40+% increase two years ago)

Union City (Republic) \$39.43



# Public Contact and Prop 218 Notice:

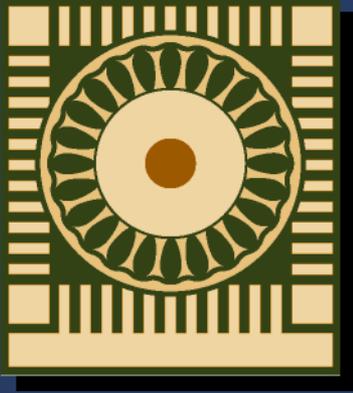
- Public contacts made and input received
- Notice of Council public hearing will be prepared after all rate issues have been resolved and details are known
- All customers will receive a comprehensive notice
- Summary of preliminary responses from RHOA



# Schedule:

October 14, 2014	Receive input from Council
December 2014	Complete negotiations and develop detailed rates
December 2014	Prepare public notice (Prop 218) and mail to all customers
January 2015	Council to hold public hearing
March 1, 2015	Begin new services





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# Discussion

