



DATE: January 30, 2024
TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Adopt a Resolution Approving Garbage and Recycling Rate Adjustment for 2024-2025

RECOMMENDATION

That Council adopts a resolution (Attachment II) approving the recommended garbage and recycling annual rate adjustment of 3.73% for all residential and commercial accounts effective March 1, 2024.

SUMMARY

Refuse rates typically increase on March 1 of each year, in accordance with the Franchise Agreement between the City and Waste Management of Alameda County (WMAC) that became effective on March 1, 2023, and expires February 28, 2033. Rate Year Two (RY2) of the Franchise Agreement will commence on March 1, 2024. Per the Franchise Agreement, the rates for RY2 shall be set based on a Consumer Price Index (CPI) adjustment to WMAC's current revenues. The calculated RY2 increase is 3.73%.

BACKGROUND

The Franchise Agreement between the City and WMAC for garbage, recycling, and organics collection and processing was approved by Council on June 28, 2022¹. The Agreement includes Tri-CED continuing to provide residential recycling services to Hayward as a subcontractor to WMAC. The Agreement is in effect for ten years and details a specific rate adjustment process for each year. In the first year of the contract, rates were negotiated and agreed upon at an initial rate. The rates for years two through four are set by a CPI-based calculation. The Franchise Agreement requires the rates for RY5 be set by following a detailed cost-based adjustment to ensure that WMAC receives an after-tax return on its investment of 5.5%. Rate Years Six through Ten are to be set through an index-type of adjustment process considering the CPI, government fees, and other factors.

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=5709695&GUID=E5867537-1E85-495D-95E4-BB7A6B590715&Options=&Search=>

DISCUSSION

Staff received WMAC's rate application for RY2 in December 2023 and performed a detailed review of WMAC's application and ensured all calculations were consistent with the procedures outlined in the Franchise Agreement and confirmed the validity of the proposal. The Agreement specifies that a minimum of 3% be used as a CPI floor in the rate calculation. The annual percentage change in CPI between 2022 and 2023 was 3.9%. After further contractual procedures that adjust for fees assessed by the State, County, and City, and for projected revenues for WMAC, the resulting increase applied to the RY2 rates is 3.73%.

ECONOMIC IMPACT

If approved, residents and businesses would pay 3.73% more for refuse and recycling services for the period of March 1, 2024, through February 28, 2025. With a 3.73% increase, the new monthly service charge for residential customers with the standard 32-gallon cart for garbage service would be \$44.22, or \$1.59 higher than the existing rate. For residents subscribing to the smaller 20-gallon cart, the new service charge would be \$30.25, or \$1.08 higher than the existing rate. A comparison of rates with several nearby communities is included as Attachment III.

FISCAL IMPACT

With the proposed increase, it is projected that City revenues related to this agreement, including those dedicated for street impacts and street cleaning, will increase by approximately \$438,670 annually.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to one of the Council's six Strategic Priorities.

SUSTAINABILITY FEATURES

The rate increase will allow the City, WMAC, and Tri-CED to continue to provide Hayward residents and businesses with recycling and composting services, so they can maximize the diversion of waste from the landfill. Solid waste management involves the safe and responsible management of discarded material from generation through processing to disposal. Reducing waste landfilled by maximizing the reuse, recycling, and composting of materials increases diversion, conserves natural resources, and plays an important role in making a community sustainable. No additional programs are contemplated as part of RY2 services.

PUBLIC CONTACT

The public was notified of the rate increase in 2022 as part of the new Franchise Agreement announcement mailed to all rate-payers. That notice provided an estimated increase for each year of the Franchise Agreement and indicated that the increase that would be effective on March 1, 2024, would not exceed 6%. If Council approves the proposed rate increase, customers will be notified of the actual increase through bill inserts included with their garbage bill and a message printed on their garbage bill.

NEXT STEPS

If Council approves the rate adjustment, it would be effective on March 1, 2024. Staff will work with WMAC to implement the new rates and advise customers. A brief statement regarding the fee increase will be included as a bill insert and printed on the customer's garbage bills.

Prepared by: Jeff Krump, Solid Waste Program Manager
Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:



Kelly McAdoo, City Manager