



**DATE:** February 1, 2022

**TO:** Mayor and City Council

**FROM:** Director of Public Works

**SUBJECT:** Adopt a Resolution Approving Garbage and Recycling Rates for FY2022-2023

### **RECOMMENDATION**

That Council adopts a resolution (Attachment II) approving the recommended garbage and recycling annual rate increase of 2.85% for all residential and commercial accounts effective March 1, 2022.

### **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, 2015. Rate Year Eight (RY8) of the Franchise Agreement will commence on March 1, 2022. Per the Franchise Agreement, the rates for RY8 shall be set based on a Consumer Price Index (CPI) adjustment to WMAC's current revenues. The calculated RY8 increase is 2.85%. The City continues to negotiate with WMAC for a new Franchise Agreement that Council could approve later this year. If approved, the new Agreement may include an additional rate adjustment that would take effect in 2022.

### **BACKGROUND**

The Franchise Agreement between the City and WMAC for garbage, recycling, and organics collection and processing is in effect for up to 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 and three were increased by 3% each year. The Franchise Agreement required the rates for RY4 be set by following a detailed cost-based adjustment to ensure that WMAC received an after-tax return on its investment of 5.5%. The rate increase for RY4 was calculated to be 5.004%. Rate Years Five through Ten are to be set through an index-type of adjustment process considering the CPI, government fees, and other factors.

The Franchise Agreement with WMAC commenced March 1, 2015, and was scheduled to expire February 28, 2022. On January 18, 2022<sup>1</sup>, Council approved a one-year extension so that the Agreement is now scheduled to expire February 28, 2023.

## **DISCUSSION**

Staff received WMAC's rate application for RY8 in December 2021 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 and, coincidentally, the annual percentage change in CPI between 2020 and 2021 was 3.0%. 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 RY8 adjustment calculation is 2.85%.

Staff is currently negotiating exclusively with WMAC, as authorized by Council, for a new Franchise Agreement. On January 18, 2022, Council approved an extension of the exclusive negotiating period to expire on June 30, 2022. Staff is hopeful that negotiations can be completed this spring so that Council may consider approval of a new Agreement this summer. If the Agreement is approved this summer, rates may be adjusted again in the second half of 2022.

## **ECONOMIC IMPACT**

If approved, residents and businesses would pay 2.85% more for refuse and recycling services for the period of March 1, 2022, through February 28, 2023 or until a new contract is approved. With a 2.85% increase, the new monthly service charge for residential customers with the standard 32-gallon cart for garbage service would be \$37.67, or \$1.04 higher than the existing rate. For residents subscribing to the smaller 20-gallon cart, the new service charge would be \$25.77, or \$0.71 higher than the existing rate. For a 20-unit multi-family residential property, the total new monthly charge would be \$574.01, or \$0.79 per household higher than the existing rate. For a business with a three-cubic-yard bin for garbage, the total new monthly charge would be \$573.05, or \$15.87 higher than the existing rate. A comparison of rates with several nearby communities is included as Attachment III.

## **FISCAL IMPACT**

With the proposed increase, which includes street cleaning and impact fees, it is projected that City revenues related to this agreement will increase by approximately \$280,000 annually.

## **STRATEGIC ROADMAP**

This agenda item is not specifically related to the six Strategic Priorities included in the Strategic Roadmap adopted June 1, 2021. However, the franchise fees collected by the City

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<sup>1</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=5382579&GUID=C1A9EF92-809E-4109-9D94-B44070621B45&Options=&Search=>

include a Street Sweeping Fee, which supports the City's street sweeping operations and helps to address Infrastructure project 17: *Meet regulatory requirements for zero trash in stormwater by installing trash capture devices.*

## **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 RY8 services.

## **PUBLIC CONTACT**

The public was notified of the rate increase in 2014 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, 2022, 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**

The rate increase would be effective on March 1, 2022. If Council approves the rate adjustment, 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:*



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Kelly McAdoo, City Manager