



Study Session of the City Council
Live Oak Council Chambers
9955 Live Oak Blvd., Live Oak, CA 95953

*The Council may take up any agenda item at any time, regardless of the order listed. Action may be taken on any item on this agenda. **Members of the public may comment on any item on the agenda at the time that it is taken up by the Council. Requests to speak on the item should be made to the Mayor at the time an item is discussed.** We ask that members of the public come forward to be recognized by the Mayor and keep their remarks brief. Absent permission from the Mayor, comments will be limited to three (3) minutes.*

Mayor – Gary A. Baland
Vice Mayor – Steve Alvarado
Council Member – Rob Klotz
Council Member – Diane Hodges
Council Member – Ray Rogers

November 15, 2011 6:00 PM

- A. CALL TO ORDER**
- B. ROLL CALL**
- C. REPORTS AND MISCELLANEOUS**
(Items listed here are for Council discussion only - No action is expected at this time)
 - 1. Recology Franchise Agreement
- D. ADJOURNMENT**



DATE: November 10, 2011
TO: Mayor and Members of the City Council
FROM: Jim Goodwin, City Manager

COUNCIL AGENDA STAFF REPORT

SUBJECT: New Recology Franchise Agreement
RECOMMENDATION: Review key policy issues addressed in draft agreement
FISCAL IMPACTS: TBD based on final agreement adopted

The current Franchise Agreement with Recology terminates at the end of the current calendar year. The Regional Waste Management Authority (RWMA) with assistance from the administrators in each of the member jurisdictions (Yuba and Sutter County and the cities of Live Oak, Marysville, Wheatland and Yuba City) have been negotiating a new model franchise agreement with Recology for consideration by each jurisdiction.

The attached PowerPoint Presentation will be reviewed at the meeting. Representatives of both Recology and RWMA will be available at the meeting to address your questions.

If Council is prepared to proceed to adoption, the agreement will come back before Council in December for action.

Respectfully submitted,



Jim Goodwin
City Manager

Table 1
RRI ADJUSTMENT METHODOLOGY

The "Refuse Rate Index" adjustment to the base service rate element shall be calculated in the following manner:

1. The expenses of providing Collection Services in the Service Area for the designated 12-month period ending March 31 shall be prepared in the format set forth in the Operating Cost Statement - Description on the following page of this Table.
2. The expenses of providing Collection Services in the Service Area shall be broken down into one of the following six cost categories: Labor; Fuel; Vehicle and Equipment Replacement; Vehicle and Equipment Maintenance, Disposal and All Other. Each cost category is assigned a weighted percentage factor, rounded as set forth above, based on that cost category's proportionate share of the total of the costs shown for all cost categories.
3. The following indices are used to calculate the adjustment for each cost category. The change in each index is calculated for the designated 12 month period ending March 31, in accordance with the terms of the Agreement. If any of the indices set forth below is discontinued, it shall be replaced with a comparable index that most closely approximates the discontinued index, as agreed to in writing by the CITY.
4. The percentage weight for each cost category is multiplied by the percentage change in each appropriate index to calculate a weighted percentage change for each cost category, which is rounded as set forth above.
5. The weighted percentage changes for all the cost categories are added together, and the sum shall be the Refuse Rate Index. Each base service rate shall be adjusted by the Refuse Rate Index percentage.

<u>Cost Category</u>	<u>Index</u>
Labor:	Series ID CIU201S000000510I (B,H) Employment Cost Index not seasonally adjusted, total compensation, private industry, union, service providing industries (Bureau of Labor Statistics) (the "RRI Labor Index")
Fuel:	Energy Information Administration (U.S. Department of Energy) California #2 Diesel Fuel, Retail sales by all sellers. (DDR007)
Vehicle and Equipment Replacement:	Series ID: wpu141301 Truck and Bus Bodies sold separately (Bureau of Labor Statistics)
Vehicle and Equipment Maintenance:	Series ID: pcu333924333924 Parts & attachments for Industrial work trucks & tractors (Bureau of Labor Statistics)

Table 1
RRI ADJUSTMENT METHODOLOGY (CONTINUED)

Disposal: Percentage change in the disposal rate (including any surcharge(s) which apply to RWMA jurisdictions but less any surcharge(s) which only apply to non-RWMA jurisdictions) payable by CONTRACTOR at the Disposal Facility. The percentage change shall be calculated by comparing the rate per ton as of April 1 of the year in which the application is submitted to the rate on April 1 of the previous year. The disposal rate shall be subject to the "most favored nation" clause set forth in Section II, Step 3 under the heading "Disposal and Green Waste Processing Expenses" below.

NOTE: For the Rate Year 2013 Refuse Rate Index adjustment comparison, if the disposal fee received by Nevada County is used relative to the "most favored nations" comparison, the following provisions will apply when determining the percent change. The Nevada County rate per ton as of April 1, 2011 will be increased by \$0.12 per ton for the disposal tipping fee increase requested in April 2011 for the State Water Quality Control Board annual fee; included in the RWMA member jurisdictions' Rate Year 2012 service rates; but, not approved by Nevada County as of April 1, 2011. The resulting Nevada County disposal fee of \$28.00 per ton (\$27.88 + \$0.12) will be the figure used for the disposal fee on April 1, 2011 for comparison with the disposal fee on April 1, 2012.

All Other: Series ID: cuurx400sa0 Consumer Price Index, All Urban Consumers, All Items, West-Size Class B/C (U.S. Department of Labor, Bureau of Labor Statistics) ("CPI").

RRI Financial Statement Format

Operating Cost Statement - Description

Labor: List all administrative, officer, operation and maintenance salary accounts (i.e., costs).

List payroll tax accounts, employee group medical and life insurance accounts and employee retirement or profit sharing accounts directly related to the above salary accounts.

List actual cost of Workers Compensation insurance.

Fuel: List all fuel costs.

Vehicle and Equipment Replacement: List all Collection and Collection related equipment depreciation accounts.

List all vehicle or equipment lease or rental accounts related to Collection, processing or transfer.

**Vehicle and Equipment
Maintenance:**

List all Collection, processing or transfer equipment parts accounts.

Disposal:

List all disposal costs.

All Other:

List all other expense accounts related to the services provided under this Agreement. This category includes all other insurance including general liability, fire, truck damage, and extended coverage; rent on property, truck licenses and permits; real and personal property taxes; telephone and other utilities; employee uniforms; safety equipment; general yard repairs and maintenance; office supplies; postage; trade association dues and subscription; advertising; and miscellaneous other expenses.

Annual Notification. The Contract Administrator shall check the calculations in CONTRACTOR'S application and shall promptly notify CONTRACTOR of any errors. If any such errors have occurred, CONTRACTOR shall have the opportunity to submit a corrected application. By July 15, 2012, and annually thereafter during the term of this Agreement, the Contract Administrator shall notify CONTRACTOR that the RRI adjustment to the Maximum Service Rates set forth in CONTRACTOR'S application (as so corrected) shall become effective on the subsequent October 1st.

Rate Sheets. If there has been any change in the Maximum Service Rate sheet from that submitted by CONTRACTOR with its application, then by July 31, 2012 and annually thereafter during the term of this Agreement, CONTRACTOR shall provide rate sheets to CITY reflecting the revised RRI adjusted Maximum Service Rates to be adopted by the City Council (or accepted by the delegated authority if the City Council has made such a delegation by resolution) by the subsequent August 31st and become effective on the subsequent October 1st.



RECOLOGY FRANCHISE AGREEMENT

Study Session
November 15



THE ISSUE...

- Current Franchise Agreement expires December 31 of this year.
- A new, model Franchise Agreement has been negotiated with Recology through the efforts of the Regional Waste Management Authority (RWMA) and the regional administrators.
- Council may take action before termination of existing agreement to adopt the new agreement

WHAT'S NEW IN THE AGREEMENT...

- Proposed initial 8-year Term
- 3, 4-year extensions with Council approval
- Indexed rate adjustments for three years instead of every other year
- New methodology for indexed rate review
- Detailed rate review every 4 years instead of every other year
- Continuation of rate stabilization funds
- Possible increase in Franchise Fee

Refuse Rate Index (RRI)

Methodology...

- Labor
- Fuel
- Equipment Replacement
- Equipment Maintenance
- Disposal
- All other (primarily insurance costs)

The sum of formula changes in the categories above determines the indexed rate adjustment effective for the next rate year.

Rate Stabilization and Capitalization Fund...

Goal

Fund necessary capital improvements, reduce “spikes” in rate adjustments, AND make investments designed to increase RWMA’s competitive position for negotiating future service agreements.

Growth

Fund grows by **not adjusting rate down** when indexed or detailed rate reviews reflect modest rate reductions.

Balance

\$2.1 million (through Rate Year 2011)

Franchise Fee Increase...

- Live Oak has limited General Fund revenue streams for city services.
- Current Franchise Fee contributes \$45,000 to the General Fund
- RWMA research suggests that statewide, Franchise Fees for solid waste average closer to 10%
- A five percent increase in the Franchise Fee would generate an additional \$45,000 per year for city services
- The Franchise Fee increase could be phased in during the first four-year rate cycle
- Untested Proposition 26 impact on action to increase Franchise Fee

NEXT STEPS...

- Produce a final document for adoption
- Adopt new Franchise Agreement by Resolution at upcoming December 7 City Council meeting
- Adopt resolution stating that adjustments recommended by RWMA based on indexed rate reviews may be accepted and implemented by Finance Director