



Agenda Report

TO: CCCSWA BOARD OF DIRECTORS

FROM: PAUL MORSEN, EXECUTIVE DIRECTOR

DATE: JANUARY 20, 2010

SUBJECT: SOLID WASTE COLLECTION RATES FOR RATE YEAR 6

SUMMARY

At the October 29, 2009 Board meeting, and thereafter at individual meetings with the member agency's representatives and their staff the components of Rate Year 6 rate setting were analyzed, explained and discussed. Following these activities, a Board meeting was held on December 10, 2009 to present the results of the discussions with each of the member agencies. It is now appropriate for the Board to set solid waste collection rates for CCCSWA customers for March 2010 through February 2011.

RECOMMENDED ACTION

1. Approve Resolution 2010-01, Attachment D, adopting maximum rates for customer service for Rate Year 6 (March 1, 2010 through February 28, 2011).

DISCUSSION

Solid Waste collection rates are made up of a number of components which over the past few months have been presented and discussed at individual meeting with representatives from each member agency and to the Board resulting in Board decisions allowing rate increases to be developed. These activities have resulted in having the information necessary to set rates for March 2010 through February 2011 at the Authority's January 28, 2010 Board meeting.

The Authority's annual revenue requirement is made up of three major components:

1. Collection Companies' Compensation (Allied and Waste Management);
2. Public Agency Fees and Authority Expenses; and,
3. Other Program Costs

The following is a summary of each component

Collection Companies' Compensation

Compensation to Allied Waste Services (AWS) for garbage collection and disposal and to Valley Waste Management (VWM) for recycling have been computed and allocated to member agencies as set forth on Attachment “B.” The Companies’ Compensation decreased slightly by 0.2% as a result of a nearly flat cost-of-living adjustment and decreased depreciation and interest expense as the collection fleets have aged and the interest rates have decreased significantly; partially offset by increases in solid waste disposal and yard waste processing expenses.

HF&H Consultants have analyzed all cost submissions from the companies and have computed costs for AWS at \$20,905,201 and for VWM at \$13,012,583.

Total Collection Company Compensation is \$33,917,784.

Public Agency Fees and Authority Expenses

Public Agency fees are comprised of the member agencies franchise fees and other fees, which are a percentage of their share of the Companies compensation along with the CCCSWA’s administrative fees and source reduction and recycling element (SRRE). Table 1 below summarizes the member agency fees for RY6, as determined individually by each member agency.

Table 1 - Summary of Member Agency Fees

Member Agency	Franchise Fee	Vehicle Impact Fee
Danville	10.0% (increased from 6.0%)	none
Lafayette	10.0% (no change)	9.10% (no change)
Moraga	12.0% (no change)	none
Orinda	12.2% (no change)	none
Walnut Creek	10.0% (no change)	9.25% (no change)
County	5.0% (no change)	none

Based on the summary of fees above (with dollar amounts shown by member agency on “Attachment B” and the CCCSWA’s projected administrative and SRRE fees for RY6 (\$1,126,326), total public agency fees for RY6 \$5,733,421.

Operating Revenue Surplus/Shortfall

As shown on Line 14 of Attachments “B” and “C”, the Total RY6 Revenue Requirement is \$40,524,931 Authority-wide. As discussed above, the RY6 Revenue Requirement is made up of the negotiated Companies’ compensation, agency fees (which reflect member agency changes shown Table 1 above), and special program costs.

Attachment “B” calculates the projected revenue shortfall at Current Rates and Attachment “C” calculates the projected revenue shortfall at Proposed Rates.

As shown on Line 14 of Attachment “B”, current rates are projected to generate \$37,847,389 in RY6, for a projected revenue shortfall of \$2,677,542 (Line 16). All member agencies, except Orinda and Lafayette, can

cover the shortfall using their current reserves; however, using the reserves to cover 100% of the necessary rate increase would create a deficit situation in one or two years from now. Through discussions with each member agency, the following rate adjustments are proposed effective March 1, 2010.

Table 3 - Summary of Rate Adjustments

	Danville	Lafayette	Moraga	Orinda	Walnut Creek	County
Residential	5.0%	9.0%	4.4%	2.4%	6.9%	3.0%
Multi-Family	5.0%	9.0%	4.4%	2.4%	6.9%	3.0%
Commercial	5.0%	9.0%	5.1%	3.6%	6.9%	3.0%
Debris Box	5.0%	9.0%	5.1%	2.4%	6.9%	3.0%
Miscellaneous	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

As shown on Line 15 of Attachment “C”, if the rates are adjusted as summarized in Table 3 above, RY6 revenues are projected to be \$39,934,174, leaving healthy reserve balances for each member agency (as shown on Attachment “C”, line 21). Attachment “A” contains all the new proposed rates for each jurisdiction based on the percentage increases summarized in the table above.

The following table compares the member agencies’ proposed 32-gallon residential rate (the most common level of service received by residential customers) to the rates of similar communities.

Table 4 - Residential Rate Comparison – (32-gallon containers)

Jurisdiction	32-gal. \$/month	Recycling Frequency	Yard Waste Frequency	Recycling Sort
Richmond	34.40	Bi-weekly	Bi-weekly	Single
El Cerrito	32.06	Weekly	Bi-weekly	Single
Kensington	31.90	Weekly	2x per month	Single
West CC County	28.94	Bi-weekly	Bi-weekly	Single
Pinole	28.06	Bi-weekly	Bi-weekly	Single
Orinda*	28.01	Weekly	Weekly	Single
Hercules	27.59	Bi-weekly	Bi-weekly	Single
Martinez	27.45	Weekly	Bi-weekly	Single
San Pablo	27.15	Bi-weekly	Bi-weekly	Single
Lafayette*	23.57	Weekly	Weekly	Single
San Ramon	23.05	Weekly	Weekly	Single
Pleasant Hill	22.55	Weekly	Weekly	Single
Concord	22.00	Weekly	Weekly	Single
Moraga*	21.65	Weekly	Weekly	Single
County*	18.87	Weekly	Weekly	Single
Danville*	17.85	Weekly	Weekly	Single
Walnut Creek*	17.00	Weekly	Weekly	Single
Livermore	16.21	Weekly	Weekly	Single
Dublin	14.25	Weekly	Weekly	Single

*Reflects estimated 2010 rate increases; all other rates are subject to increases during 2010

New Programs

Commercial Food Waste Program

The Commercial Food Waste Pilot Program began in November 2008. A full rollout is recommended by Authority staff and the Finance Committee to commence September 2010. The goal is approximately 240 accounts by December 2011. The pilot program will be funded from the 2009/2010 Diversion Incentive Fund (DIF) through March 2010. Continued funding options have been presented and discussed at individual meetings with representatives from each member agency and to the Board resulting in the Authority staff recommendation to fund the extended pilot program through August 2010 from the DIF. In addition, Authority staff has recommended (and member agencies have agreed) to fund the full roll-out (commencing September 2010) through solid waste rates. The projected Commercial Food Waste Program cost, by member agency, is shown in Table 5 below. Additionally the cost is expressed as a percentage of the member agency’s Commercial Revenue. The projected cost for the Commercial Food Waste Program is included in the total revenue requirement (see Attachments “B” and “C”, line 9).

Table 5 – Commercial Food Waste Program
(Projected Costs – September 2010 to February 2011)

	Danville	Lafayette	Moraga	Orinda	Walnut Creek	County	Total
Projected Program Costs (000’s)	\$43	\$27	\$18	\$12	\$112	\$11	\$223
Commercial Revenues (000’s)	\$3,031	\$2,261	\$1,121	\$924	\$10,250	\$2,149	\$19,736
Percentage Increase	1.4%	1.2%	1.6%	1.2%	1.1%	0.5%	1.1%

Walnut Creek Residential Food Scrap Program

Currently, Lafayette, Moraga, and Orinda residents are provided residential food scrap collection and processing services. Walnut Creek expressed an interest to participate. The annual collection of Walnut Creek’s approximately 12,500 tons of Residential food scraps falls within the current contract parameters. Other program expenditures of approximately \$102,000 for in-house pails and public education materials are currently covered through the Authorities budget therefore there would be no rate impact.

ATTACHMENTS

- A. Proposed Rates for each Jurisdiction
- B. RY6 Projected Revenue Surplus/(Shortfall)
- C. RY5 Projected Revenue Surplus/(Shortfall)
- D. Resolution 2010-1 – Maximum Rates for Customer Service for RY6