



Alameda County Industries

- Services provided in San Leandro with a Franchise Agreement since 2000.
- Agreement provides for rate review and rate adjustments annually on July 1.
- Rate setting process modified in 2009 to change the base index and to account for labor costs outpacing the original index.

Rate Adjustment Process

- ACI is requesting a two-step rate adjustment process to cover ongoing operating and program costs and to account for incremental costs not recognized under the current rate setting methodology.
- Step 1 is a contractual rate adjustment for the rate period beginning July 1, 2019, plus an incremental adjustment request for program changes: 7.89% total adjustment.
- Step 2 is a request by ACI for a modification in the 2009 rate setting methodology to capture additional, unrecognized incremental costs and apply these to rates July 1, 2020.

Step 1

- 3.78% contractual adjustment to rates effective July 1, 2019 related to the RRI (Refuse Rate Index).
 - RRI methodology is similar to a CPI but specific to the solid waste industry.
 - Includes various components such as:
 - Labor
 - Fuel
 - Vehicle maintenance
 - Vehicle replacement cost
 - Disposal

Step 1

- 4.11% separate request by ACI to cover incremental costs due to program changes not captured in 2009 methodology.
 - Commercial organics/recycling route 3.72%
 - Global recycling market change 0.39%
- New route added in 2018 to maintain compliance with regulatory requirements for businesses and multi-family (5+ units) sites.
 - AB341 - State mandated recycling
 - AB1826 - State mandated organics diversion
 - Alameda County Waste Management Authority
 - StopWaste: mandatory commercial and MFD recycling and organics diversion participation beyond AB341 and AB1826 requirements.

Step 1

- Changing environment with recycling mandates highlights the RRI rate setting process is no longer sufficient to cover all program and incremental costs.

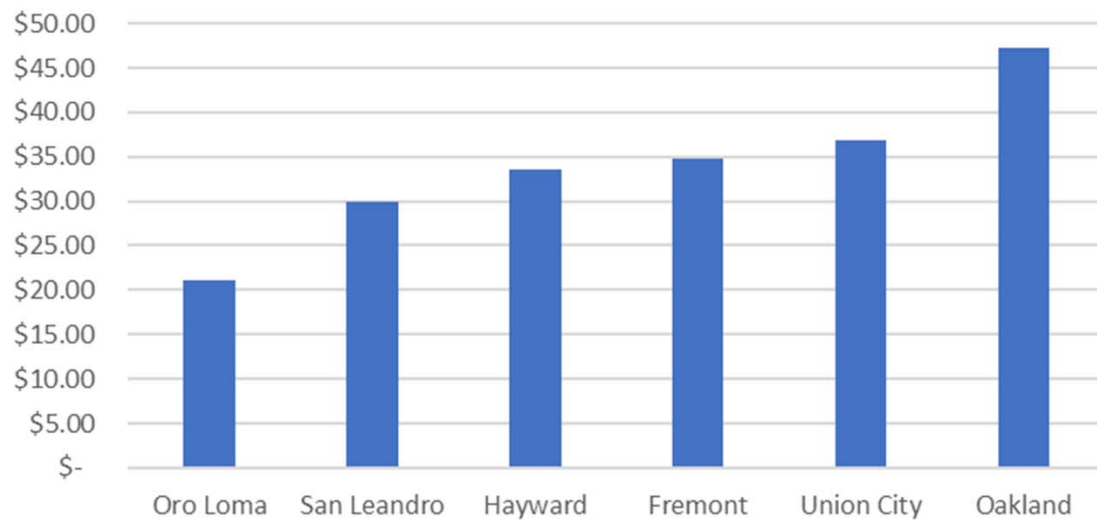
Tons Per Year Collected

| | <u>2013</u> | <u>2018</u> | |
|------------------|---------------|---------------|----------------------|
| <i>Recycling</i> | <i>7,098</i> | <i>8,670</i> | <i>22% increase</i> |
| <i>Organics</i> | <i>9,055</i> | <i>11,439</i> | <i>26% increase</i> |
| <i>Garbage</i> | <i>35,126</i> | <i>35,588</i> | <i>1.3% increase</i> |

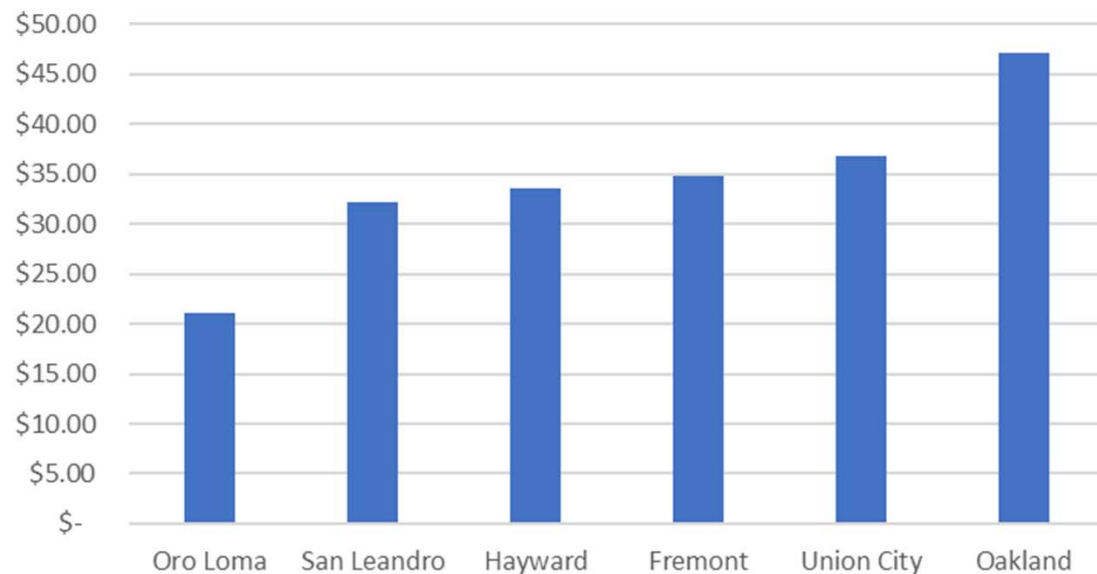
Step 1

- Global recycling market change.
 - China's National Sword:
 - 70% of recycling material collected is mixed waste paper and cardboard
 - Until 2018, China was the worlds largest processor of mixed waste paper
 - China stopped accepting mixed waste paper early 2018
 - India, Indonesia, other Southeast Asian countries are at full capacity
 - Mixed waste paper value prior to 2018: \$135/ton
 - Mixed waste paper value last 12 months: -\$20.00/ton to +\$20.00/ton
 - Frequent, unexpected disruptions in shipping container availability

Monthly Rate Comparison for 32-gallon Cart Residential Service



Rate Comparison after 7.89% Adjustment



3/18/2019

Step 2

- Modification to rate setting methodology needed to account for additional incremental cost elements not covered by the RRI.
 - Replacement Collection Vehicles – ACI spent \$7M in 2018.
 - 2007 cost of automated collection vehicle \$260,000
 - 2018 cost of automated collection vehicle \$400,000
 - RRI has not kept pace with the true vehicle replacement cost
 - Mechanism needed for covering future incremental costs due to service demands and regulatory requirements
 - SB1383 – State mandated increase in organics diversion and food scraps recovery.
 - Standardized container colors (carts and bins)
 - » Grey – garbage, Blue – recycling, Green - organics
 - Increased collection services, containers
 - Increased staffing for technical assistance
 - Increased outreach and education costs
 - Routine contamination audits

Step 2

- ACI requests and amendment to Franchise Agreement.
 - Modification to the Rate Methodology for service demands.
 - Incurred, incremental costs not captured in the current rate setting process would be applicable to July 1, 2020 rates, (collection vehicle replacement 6.9%) in addition to the RRI.

ACI is dedicated to providing outstanding collection and processing services to San Leandro residents and businesses and partnering with the City of San Leandro in maintaining compliance with mandatory diversion requirements.