




Office of the City Manager

ACTION CALENDAR
May 26, 2015

To: Honorable Mayor and Members of the City Council
 From:  Christine Daniel, City Manager
 Submitted by: Andrew Clough, Director, Public Works
 Subject: Zero Waste Commercial Collection System

RECOMMENDATION

Replace the current non-exclusive franchise collection system for commercial refuse and recyclables by selecting one of the following service options:

1. City of Berkeley provides all commercial refuse and recycling collection services.
- or
- 1a. City of Berkeley provides all commercial refuse and recycling collection services except for roll-off containers and compactors.

SUMMARY

This report follows-up on the [Zero Waste Commercial Franchise Study Worksession](#)¹ on February 10, 2015. At that time, HF&H Consultants, LLC presented their proposed options, and Council indicated its preference to further consider Option 1) having the City Provide All Commercial Services; or Option 1a) having the City Provide All Commercial Service but Roll-Off Containers and Compactors.

The recommendations and analysis in this report are based on the full feasibility study by HF&H Consultants to replace the existing non-exclusive franchise collection system for commercial refuse and recyclables with an exclusive franchise, or for the City to assume collection for commercial customers. HF&H Consultants conducted this study of the non-exclusive franchise system during 2014, and proposed a set of options to replace the current system, which were detailed in the February Worksession report ([Zero Waste Commercial Franchise Study Worksession](#)).

FISCAL IMPACTS OF RECOMMENDATION

Public Works management conducted further financial and operational analysis on Option 1) having the City Provide All Commercial Services; and Option 1a) having the City Provide All Commercial Service but Roll-Off Containers and Compactors, and determined that the following actions will need to be taken for implementation:

¹ See Related Links (last page) for full URLs to reports and other references.

Option 1: City Provides All Commercial Refuse and Recycling Services**Impact on Zero Waste Fund**

- Commercial services revenue increases \$795,000 per year (net of projected new expenditures) and would go towards debt service for new equipment and contribution to capital reserves (including planned Transfer Station replacement).
- Loss of \$348,000 per year of franchise fees that support residential collection services: Public Works would initiate a process to review all collection routes for potential operational improvements including the consolidation of residential collection routes to absorb this loss of franchise fees. Operational improvements would be included in the FY2017 budget and implemented in July 2016.

Impact on General Fund

- Loss of \$393,000 per year of franchise fees that support the Clean City Program: Public Works would initiate a process to identify possible revenue sources to absorb this loss of franchise fees, and identify operational improvements. Any reallocation of expenditures and/or operational improvements for the Clean City Program would be included in the FY 2017 budget and implemented in July 2016.

Impact on Operations

- Meeting with Commercial Franchise Haulers: Public Works would meet with the current commercial franchise haulers to develop a transition plan to minimize negative impacts for businesses.
- Requires certain revisions to the Berkeley Municipal Code (BMC): Public Works would initiate a process to revise the BMC, including the updating of definitions for refuse and recyclable materials, and the elimination of provisions that allow private refuse haulers to collect commercial refuse and recyclable materials. Staff would return to Council in fall 2015 for approval of BMC revisions.
- Requires 7 new employees: Public Works would conduct a thorough analysis of its staffing to determine the job classifications needed to perform the additional tasks. Once the job classifications have been determined, Public Works would work with Human Resources on the recruitment and hiring of the new employees in FY 2016.
- Requires an investment of \$1.6 million in equipment: Public Works would initiate an internal review process for equipment selection. The review process will require input, review, and approval of equipment specifications and configuration of options by equipment operators, equipment mechanics, first line supervisors, senior supervisors and the Division Manager. The entire process to bid, construct, and deliver the equipment would take approximately 9 months.

Option 1a: City Provides All Commercial Refuse and Recycling Services except Roll-Off Containers and Compactors**Impact on Zero Waste Fund**

- Commercial services revenue increases \$196,000 per year (net of projected new expenditures) and would go towards debt service for new equipment and contribution to capital reserves (including planned Transfer Station replacement).
- Loss of \$157,000 per year of franchise fees that support residential collection services: Public Works would initiate a process to review all collection routes for potential operational improvements including the consolidation of residential

collection routes to absorb this loss of franchise fees. Operational improvements would be included in the F Y2017 budget and implemented in July 2016.

Impact on General Fund

- Sufficient funding will be available to support the Clean City Program.

Impact on Operations

- Meeting with Commercial Franchise Haulers: Public Works would meet with the current commercial franchise haulers to develop a transition plan to minimize negative impacts for businesses.
- Requires certain revisions to the BMC: Public Works would initiate a process to revise the BMC, including the updating of definitions for refuse and recyclable materials, changes to only allow private refuse hauling services for roll-off containers and compactors under a non-exclusive franchise agreement, and defining the roll-off container and compactor service to be provided under a non-exclusive franchise agreement. Staff would return to Council in fall 2015 for approval of BMC revisions.
- Requires 6 new employees: Public Works would conduct a thorough analysis of its staffing to determine the job classifications needed to perform the additional tasks. After the job classifications have been determined, Public Works would work with Human Resources on the recruitment and hiring of the new employees in FY2016.
- Requires an investment of \$1.3 million in equipment: Public Works would initiate an internal review process for equipment selection. The review process will require input, review, and approval of equipment specifications and configuration of options by equipment operators, equipment mechanics, first line supervisors, senior supervisors and the Division Manager. The entire process to bid, construct, and deliver the equipment would take approximately 9 months.

CURRENT SITUATION AND ITS EFFECT

Berkeley is one of very few cities in California that operates its own waste management services, as well as owning and operating a Transfer Station. The City provides curbside collection of refuse, recyclables, and organics for residential and commercial customers. In addition, the City has franchise agreements with 5 local waste management companies that authorize and restrict them to haul rubbish (dry trash) from commercial customers.

The current commercial collection system does not support the City's goal of zero waste going to landfill. Franchise agreement terms are complicated, and difficult to manage and enforce. In addition, Alameda County's adoption of mandatory commercial and multi-family recycling increases the City's need to account for, and report on required service standards and tonnage.

Franchise fee income is utilized by the City to pay for street sweeping and related activities under the Clean City Program, as well as mitigate the effects of recent changes to residential rates and collection patterns. With current franchise agreements expiring in 2016, Council needs to make a decision on the future of commercial collection services.

BACKGROUND

In December 1999, Council repealed and reenacted Berkeley Municipal Code (BMC) Chapter 9.60 to provide for non-exclusive franchises for rubbish collection; and amended

BMC Section 9.04.176 and 9.04.240 to require private rubbish haulers to enter into non-exclusive franchise agreements (Ordinance Nos. 6,517–N.S. and 6,518–N.S.). The franchise fee was set by resolution at 26% of gross revenue reported by the franchise haulers, and currently receives approximately \$841,000 per year from this fee. The initial 7 franchises were approved by Ordinances in June 2000; and there has been limited turnover in active agreements since then.

Based on [June 2011](#) Council action, staff sent letters to the franchise haulers in September 2011 giving them 5 years to cease service in Berkeley (as required by state law). All current franchise agreements will expire in September 2016.

In February 2014 Council authorized Contract No. 9573 with HF&H Consultants, LLC for a franchise study. On [February 10, 2015](#), HF&H presented Council with several options to replace the non-exclusive franchise system:

- Option 1:** City Provides All Commercial Services
- Option 1a:** City Provides All Service but Roll-Off Containers and Compactors
- Option 2:** Single Exclusive Franchisee
- Option 3:** Multiple Non-Exclusive Franchisees
- Option 4:** City Franchises Recyclables Collection

ENVIRONMENTAL SUSTAINABILITY

Replacement of the current non-exclusive franchise system for commercial waste services with an exclusive system will help the City meet its zero waste and climate action goals by increasing control of recycling-related activities, and reducing vehicle trips, emissions, traffic congestion, and negative impacts to City streets.

RATIONALE FOR RECOMMENDATION

Public Works management conducted financial and operational analysis on Options 1 and 1a, and determined that they were the most feasible ones for consideration.

Option 1: City Provides All Commercial Refuse and Recycling Services

- › Net increase in commercial revenue of \$795,000 per year.
- › 7 new employees are hired.
- › Commercial customers have a single point of contact for all services.
- › Eliminates City administrative obligation to monitor/audit franchisees.
- › Provides the greatest control and measurement of recycling-related activities.
- › Reduced vehicle trips, emissions, traffic, and road impacts.

Option 1a: City Provides All Commercial Refuse and Recycling Services except Roll-Off Containers and Compactors

- › Net increase in commercial revenue of \$196,000 per year.
- › Retain franchise fee revenue of \$599,000 per year.
- › 6 new employees are hired.
- › Increases control and measurement of recycling-related activities.
- › One point of contact for cart and bin customers.
- › Reduced vehicle trips, emissions, traffic, and road impacts.

ALTERNATIVE ACTIONS CONSIDERED

Public Works management conducted financial and operational analysis on the following options, and determined that they were not feasible for further consideration.

Option 2: All Commercial Services Provided by a Single Exclusive Franchisee

- Loss of commercial rate revenue in Zero Waste Fund.
- Residential services and Transfer Station share of overhead increases significantly by \$2.2 million per year.
- Significant staff reductions; loss of 25 employees.
- Decreased control and measurement of recycling-related activities.

Option 3: Multiple Non-Exclusive Franchisees

- Loss of commercial rate revenue in Zero Waste Fund.
- Additional gross franchise fee revenue cannot be used to cover overhead increases for Residential Services and Transfer Station.
- Complicated customer experience.
- Significant staff reductions; loss of 25 employees.
- Decreased control and measurement of recycling-related activities.
- Increases administrative and enforcement obligations.

Option 4: City Collects All Solid Waste/Organics and Franchises Recyclables Collection

- Complicated customer experience; customer service messages continue to compete.
- Moderate staff reductions; loss of 6 employees.
- Decreased control and measurement of recycling-related activities.
- Expanded code enforcement to ensure franchised hauler does not collect putrescibles.

CONTACT PERSON

Manuel Hector, Acting Solid Waste & Recycling Manager, Public Works, 981-6359
Bryan Quevedo, Administrative & Fiscal Services Manager, Public Works, 981-6306

Attachments:

1: HF&H City of Berkeley Commercial Franchising Study (*pdf of PowerPoint file*)

Related Links:

1: February 10, 2015 Worksession:

www.cityofberkeley.info/Clerk/City_Council/2015/02_Feb/Documents/2015-02-10_WS_Item_01_Zero_Waste_Commercial.aspx

2: July 14, 2011 Item 31.h. Improving the Fiscal Health of the Refuse Fund:

[www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_City_Council/2011/06Jun/2011-06-14_Item_31h_Improving_the_Fiscal_Health_of_the_Refuse_Fund\(1\).pdf](http://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_City_Council/2011/06Jun/2011-06-14_Item_31h_Improving_the_Fiscal_Health_of_the_Refuse_Fund(1).pdf)