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CITY OF OAKLAND
AGENDA REPORT

To: Office of the City Manager
Attn: Robert C. Bobb
From: Budget Office
Date: May 29, 2003

Re: An Amendment to Ordinance No. 11820 C.M.S. Increasing City Fees by 5.34 Percent Paid by Waste Management of Alameda County to the City of Oakland and Increasing by 5.34 Percent Rates Charged for Solid Waste Collection and Disposal Effective July 1, 2003.

SUMMARY

Prepared for City Council consideration is an amendment to Ordinance No. 11820 C.M.S. The amendment provides that Waste Management of Alameda County (WMAC) remit fees to the City of Oakland by an additional 5.34% and that the rates charged to customers for solid waste collection and disposal services increase by a corresponding 5.34%, effective July 1, 2003.

This 5.34% fee increase will generate approximately $3.5 million annually in additional revenues, which WMAC will pass through to the City, as provided for in the Franchise Agreement for Solid Waste and Yard Waste Collection and Disposal Services (Franchise Agreement). The revenues will be used to support litter removal from street medians and park frontage.

Administratively, WMAC must receive the approved rate increase via City Council ordinance by June 10, 2003 in order to implement the increase effective July 1, 2003. Thus, the introduction (first reading) of this amendment to Ordinance No. 11820 is presented to the City Council on May 29, 2003, with the final adoption (second reading) proposed for June 5, 2003.

FISCAL IMPACT

Excluding the proposed fee increase of 5.34%, for FY 2003-04 the City expects to receive revenues from WMAC in the amount of $12.39 million used to support comprehensive clean-up activities such as street sweeping, sidewalk cleaning, litter enforcement, and illegal dumping abatement.

These WMAC surcharge revenues are deposited into the Comprehensive Clean-up Fund (1720) and are the primary source of revenue for the fund. The other source of revenue is street sweeping parking citation fines.

Beginning FY 2003-04, the proposed 5.34% fee increase will generate approximately $3.5 million annually in additional revenues to the City of Oakland. The actual amount the City receives will fluctuate annually in future years based on WMAC's level of garbage service subscription. If receipts decrease in future years, the City will need to proportionately reduce the level of services supported by the Comprehensive Clean-up Fund.

The rate increase will be passed on to customers through a surcharge on the WMAC solid waste collection fees. The impact of the proposed 5.34% increase to customers can be illustrated as follows:

Impact of City of Oakland 5.34% Increase

Container Size	Current Rate (Monthly)	Percent Increase	Dollar Increase (Monthly)	New Rate (Proposed)
35 gallon can	20.08	5.34%	1.07	21.15
1 cubic yard bin	105.52	5.34%	5.63	111.15

Note: The 5.34% will be added to the rate base; thereby compounding the effect of any annual rate increases in future years.

In addition, customers will experience an additional increase in their garbage bill due to a CPI adjustment factor (1.34%) provided for through the Franchise Agreement, as well as fees imposed by county-wide legislative mandates including Measure D (0.16%) and State Assembly Bill 939 (0.03%). The total effect of rate increases to customers, effective July 1, 2003, can be illustrated as follows:

Total Impact of Garbage Rate Increase

Container Size	Current Rate (Monthly)	Total Percent Increase	Dollar Increase (Monthly)	New Rate (Proposed)
35 gallon can	20.08	6.87%	1.38	21.46
1 cubic yard bin	105.52	6.87%	7.25	112.77

BACKGROUND

In 1995, the City Council approved the Franchise Agreement with WMAC for the collection of solid waste and residential yard waste. As part of the Franchise Agreement, the City receives franchise and city fees at a prescribed amount from WMAC. The Franchise Agreement allows the City, at its discretion, to increase the fees and requires WMAC to collect and remit the fees to the City. The City is obligated to increase the garbage rates to cover the increased fees remitted to the City.

KEY ISSUES AND IMPACTS

In prior years, collections of street sweeping parking citation fines have been credited to the Comprehensive Clean-up Fund. Pending City Council approval of the FY 2003-05 Proposed Budget, these revenues estimated at $2.8 million will be credited to the General Purpose Fund to mitigate the shortfall in that fund.

In addition, the costs of activities supported by the Comprehensive Clean-up Fund (as well as other funding sources) continue to increase as a result of personnel cost increases, including salary, retirement, and fringe benefits.

Per City Council ordinance, the City may attach a surcharge on solid waste fees collected by WMAC to compensate the City for some or all of the costs of cleaning up litter and illegal dumping on public streets and right-of-ways.

Approval of the proposed ordinance amendment will generate $3.5 million in additional revenues for the City to support functions previously subsidized by the street sweeping parking citation revenues and the Landscaping and Lighting Assessment District and that are eligible for funding through the Comprehensive Clean-up Fund.

PROGRAM DESCRIPTION

As part of the FY 2003-05 Proposed Policy Budget, staff proposes allocating the additional revenue raised in the Comprehensive Clean-up Fund to support the following programs:

Keep Oakland Clean and Beautiful (NB35)

Operated out of the Public Works Agency, activities within the Keep Oakland Clean and Beautiful program are primarily supported by the Comprehensive Clean-up Fund. The thrust of the program is to maintain and enhance the cleanliness, health, and appearance of City streets and neighborhoods.

Specific activities include day and night street sweeping, bimonthly commercial sidewalk cleaning, emptying of litter containers, illegal dumping removal (which removes approximately 42,000 cubic yards of illegally dumped materials annually), litter enforcement, and Downtown Clean Team (which keeps our downtown area free of litter and debris).

Grounds Maintenance (NB07)

Operated out of the Department of Parks and Recreation, the Grounds Maintenance program includes a workforce that spends a significant portion of their time removing litter from street medians and park frontage. Specifically, it is estimated that gardeners spend approximately 40%- 60% of their time performing litter removal.

Funding from the Comprehensive Clean-up Fund will be used to support about one-third the costs of the gardeners, which corresponds to the estimated time spent removing litter from street medians and along the frontage of park space.

SUSTAINABLE OPPORTUNITIES

This action provides no sustainable opportunities.

DISABILITY AND SENIOR CITIZEN ACCESS

This project will not have any impact on disability and senior citizen access.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council approve the amendment to Ordinance No. 11820 C.M.S., increasing by 5.34% City fees paid by WMAC to the City and increasing garbage rates by the same rate.

Respectfully submitted,

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APPROVED FOR FORWARDING
TO THE CITY COUNCIL

Office of the City Manager

Item # 5
SP. City Council
May 29, 2003