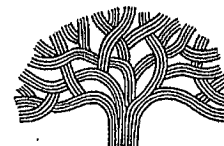


CITY OF OAKLAND



DALZIEL BUILDING • 250 FRANK H. OGAWA PLAZA • SUITE 5301 • OAKLAND, CALIFORNIA 94612-2034

Public Works Agency
Environmental Services Division

FAX (510) 238-7286
TDD (510) 238-3254

May 2, 2011

Mr. Bob Angell, Director of Municipal Contract Compliance
Waste Management of Alameda County
172 98th Avenue
Oakland, CA 94603

RE: July 1, 2011 Solid Waste Rate Adjustment

Dear Mr. Angell:

Detailed below is the proposed FY 2011/2012 solid waste rate adjustment for services provided by Waste Management of Alameda County (WMAC) in accordance with the Franchise Agreement between WMAC and the City of Oakland (City). The new solid waste rates are to become effective July 1, 2011, and include a proposed total rate increase of 1.07% based on the following components:

1. CPI Adjustment per Franchise Agreement 6th Amendment Article 15.3

2009 annual average CPI	219.645
2010 annual average CPI	223.624
Change in CPI	3.979
Percent change in CPI	1.81%
Applied change per Article 15.3	80%
CPI Rate Adjustment on July 1, 2011	1.45%

2. Measure D Fee Adjustment per Franchise Agreement Article 15.8.3

The Alameda County Measure D Fee increases each year on January 1. First, in order to apply the increase to the first 6 months of the year (Jan-Jun) to the annual July 1 rate adjustment, an 18-month effect is applied to the rate adjustment for this fee for the 12-month period going forward by multiplying the dollar-per-ton fee increase by 18 months of disposal tonnage. Second, in order to normalize the prior year's 18-month effect to a 12-month annual rate effect going forward, a six month or one-third (6/18) reduction of the prior year's effect is calculated. The net of these two effects is then converted to a consolidated Measure D Fee Rate Adjustment, as shown below:

Measure D fee prior to 1/1/11	\$8.17
Measure D Fee effective 1/1/11	\$8.23



An American Public Works Association Accredited Agency

July 1, 2011 Solid Waste Rate Adjustment

Measure D Fee increase effective 1/1/11	\$0.06
Total FY 2009/2010 franchise tons	173,535
Total increased fees on 2009/2010 franchise tons, i.e., $\$0.06 \times 173,535$	\$10,412
Total increased fees (18-month effect), i.e., $\$10,412 \times (18/12)$	\$15,618
Prior year 18-month effect (see 5/4/10 Letter re: July 1, 2010 Solid Waste Rate Adjustment)	\$71,881
Deduct 6-months from 7/1/10 18-month effect, i.e., $\$71,881/3$	\$23,960
Net Measure D Fee adjustment for 7/1/11, i.e., $\$15,618 - \$23,960$	(\$8,342)
Total FY 2009/2010 franchise revenue	\$80,994,244
Rate adjustment calculation, i.e., $-\$8,342 / \$80,994,244$	-0.01%
Measure D Fee Rate Adjustment on July 1, 2011	-0.01%

3. January 1, 2009 Facility Fee Adjustment, per Franchise Agreement Article 15.8.3

In 2008 the Alameda County Board of Supervisors approved a \$0.50/ton increase in the Facility Fee effective January 1, 2009. Because this fee increase was not included in the July 1, 2009 rate adjustment, a 30-month effect (from January 1, 2009 to June 30, 2011) on the rate adjustment for this fee was included in rates for the 12-month period beginning July 1, 2010. On July 1, 2011 the 30-month effect must be normalized back to a 12-month effect for rates from July 1, 2011 onward through a one-time, true-up adjustment that deducts 18-months from the 30-month effect applied on July 1, 2010, as shown below:

2010 total increased fees (30-month effect)	\$261,905
18-month adjustment to the 2010 30-month effect, i.e., $-18/30$	-60%
2011 adjustment, i.e., $\$261,905 \times -60\%$	(\$157,143)
Total FY 2009/2010 franchise revenue	\$80,994,244
Rate Adjustment Calculation, i.e., $-\$157,143 / \$80,994,244$	-0.19%
2009 Facility Fee Rate Adjustment on July 1, 2011	-0.19%

4. January 1, 2010 Facility Fee Adjustment, per Franchise Agreement Article 15.8.3

In 2009 the Alameda County Board of Supervisors approved a \$2.34 per ton increase in the Facility Fee effective January 1, 2010. Because this fee increase was not included in the July 1, 2009 rate adjustment, an 18-month effect on the rate adjustment for this fee was included in rates for the 12-month period beginning July 1, 2010. On July 1, 2011 the 18-month effect must be normalized back to a 12-month effect for rates from July 1, 2011 onward through a one-time, true-up adjustment that deducts 6-months from the 18-month effect applied on July 1, 2010, as shown below:

7/1/10 total increased fees (18-month effect)	\$672,804
6-month adjustment to the 7/1/10 18-month effect, i.e., $-6/18$	-33%
7/1/11 adjustment, i.e., $\$672,804 \times -33\%$	(\$222,025)
Total FY 2009/2010 franchise revenue	\$80,994,244
Rate adjustment calculation, i.e., $-\$222,025 / \$80,994,244$	-0.27%
2010 Facility Fee Rate Adjustment on July 1, 2011	-0.27%

5. July 1, 2010 LEA Fee Adjustment, per Franchise Agreement Article 15.8.3

Franchise Exhibit C-1 documents Local Enforcement Agency (LEA) Inspection Fee rate components of \$0.11/ton for Davis Street Transfer Station and \$0.22/ton to Altamont Landfill, effective July 1, 2005. In 2010 the Alameda County Board of Supervisors approved a new rate for the LEA fee of \$0.38/ton applied to all solid waste leaving transfer stations and to solid waste disposed at landfills effective July 1, 2010. Because these fee increases were not included in the July 1, 2010 rate adjustment, a 24-month effect on the adjustment to these fees (from July 1, 2010 to June 30, 2012) must be included in the rates for the 12-month period beginning July 1, 2011, as shown below. On July 1, 2012 the 24-month effect must be normalized to a 12-month effect for rates from July 1, 2012 onward through a one-time, true-up adjustment that deducts 12-months from the 24-month effect that was applied on July 1, 2011.

LEA Fee for Davis Street Transfer Station per Franchise Exhibit C-1	\$0.11
Increase to LEA Fee for Davis Street Transfer Station on 7/1/10, i.e., \$0.38 - \$0.11	\$0.27
LEA Fee for Altamont Landfill per Franchise Exhibit C-1	\$0.22
Increase to LEA Fee for Altamont Landfill on 7/1/10, i.e., \$0.38 - \$0.22	\$0.16
Combined total LEA Fee increase effective 7/1/10	\$0.43
Total franchise tons January 2009 - December 2010 (24-months)	346,233
Total increased fees (24-month effect), i.e., \$0.43 x 346,233	\$148,880
Total FY 2009/2010 franchise revenue	\$80,994,244
Rate adjustment calculation, i.e., \$148,880 / \$80,994,244	0.18%
2010 LEA Fee Rate Adjustment on July 1, 2011	0.18%

6. 2003-2010 Altamont Settlement Fee Adjustment, per Franchise Agreement Article 15.8.3

Per WMAC's attached letter dated July 10, 2003 a retroactive payment to WMAC resulting from a settlement related to the Altamont Landfill expansion was amortized over a 90-month period by means of a +0.6% rate adjustment in effect during the amortization period, July 1, 2003 through December 31, 2010. The expiration of this rate adjustment was not included in the July 1, 2010 rate adjustment, so rate payers continued to pay the additional 0.6% for 6-months after it expired (July - December 2010). Rates for the 12-months beginning July 1, 2011 must be adjusted to credit this overpayment by applying an 18-month effect (January 1, 2011 to July 1, 2012) as shown below. On July 1, 2012 the 18-month rate effect must be normalized to a 12-month effect for rates from July 1, 2012 onward through a one-time, true-up adjustment of +0.03%.

Altamont Settlement adjustment effective 7/1/03 thru 12/31/10	0.06%
Altamont Settlement adjustment effective 1/1/2011	0.0%
18-month effect, i.e., -0.06% x (18/12)	-0.09%
2003-2010 Altamont Settlement Fee Rate Adjustment on July 1, 2011	-0.09%

July 1, 2011 Rate Adjustment Summary

Rate Adjustment Component	Rate Impact (%)
1. Annual CPI Adjustment	1.45%
2. Annual Measure D Fee Adjustment	-0.01%
3. 2009 Facility Fee Adjustment	-0.19%
4. 2010 Facility Fee Adjustment	-0.27%
5. 2010 LEA Fee Adjustment	0.18%
6. 2003-2010 Altamont Settlement Fee Adjustment	-0.09%
Total Rate Adjustment	1.07%

Please confirm in writing that WMAC accepts and approves the rate adjustment calculations and total rate adjustment amounts identified in this letter.

Following WMAC's confirmation the City will generate a rate schedule for each class of ratepayers, which WMAC and the City can then initial as final approved rates to be charged to ratepayers. The City notes that WMAC and the City should continue to apply the backyard premium surcharge as a flat rate differential for all Single Family Residential container sizes.

Please note that per Section 15.13 (Publication of Rates) of the Franchise Agreement, WMAC shall provide written notice to ratepayers at least thirty (30) days prior to the implementation of the new rates.

Should there be any questions, please contact Peter Slote at 510-238-7432.

Sincerely,



Becky Dowdakin
Recycling & Solid Waste Program Supervisor

cc: Brooke A. Levin
Susan Kattchee
Peter Slote
Dan Peterson, WMAC
Dave Horn, WMAC

FILE COPY

COPY



WASTE MANAGEMENT
172 98th Avenue
Oakland, Ca 94603

July 10, 2003

Mr. Harry Schrauth
City of Oakland
Recycling & Solid Waste Programs
250 Frank Ogawa Plaza, Suite 5301
Oakland, CA 94612

Re: Altamont Fees

Dear Mr. Schrauth:

Per your request the following are the calculations relative to the Altamont Fees per City Attorney John Russo's letter dated May 7, 2003 to our attorney John Lynn Smith:

<u>Tonnage:</u>	<u>Solid Waste</u>	<u>Oakland Trucks</u>	<u>Total</u>
7-1-00 to 12-31-00	141,260.32	9,023.50	150,283.82
1-1-01 to 12-31-01	<u>279,840.81</u>	<u>21,406.65</u>	<u>301,247.46</u>
Not included	421,101.13	30,430.15	451,531.28

<u>Retro-Active Tonnage:</u>			
1-1-02 to 12-31-02	260,199.42	14,793.97	274,993.39
1-1-03 to 5-31-03	104,595.14	7,565.29	112,160.43
June 2002	<u>19,993.69</u>	<u>1,157.76</u>	<u>21,151.45</u>
Total	384,788.25	23,517.02	408,305.27

Retro-Active Calculation:
408,305.27 tons x \$1.00 = \$408,305.27

Amortization Period:
7-1-03 to 12-31-10 = 90 months

\$408,305 ÷ 90 mos. = \$4,537 p/month

Retro-Active Portion to be Included in Rates Effective 7-1-03 for Period 7-1-03 to 6-30-04:

12 months x \$4,537 p/month = \$54,444

Y910

Estimated Tonnage 7-1-03 to 6-30-04:

(using prior period tonnages)

7-1-02 to 12-31-02	136,246.23
1-1-03 to 05-31-03	112,160.43
6-1-02 to 6-30-02	<u>21,151.45</u>
(* = estimated amt)	*269,558.11
	<u>x \$1.25 p/ton</u>
	\$336,948
Amortization Amount	<u>54,444</u>
Total	\$391,392

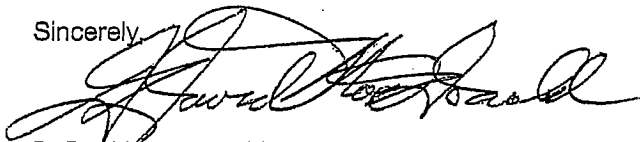
(Note: this figure will be recalculated next year based on actual tonnage.)

Rate Effect (effective 7-1-03):

$$\$391,392 \div \$65,589,684 = 0.6\%$$

Should you have any questions please contact me at (510) 613-2105.

Sincerely,



D. David MacDonald
Executive Vice President

Cc: John Lynn Smith

DM:dh