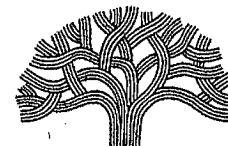


# CITY OF OAKLAND



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 8, 2012

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

## RE: July 1, 2012 Solid Waste Rate Adjustment

Dear Mr. Angell:

Detailed below is the proposed FY 2012/2013 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, 2012, and include a proposed total rate increase of **2.33%** based on the following components:

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

2010 annual average CPI	223.624
2011 annual average CPI	230.337
Change in CPI	6.713
Percent change in CPI	3.00%
Applied change per Article 15.3, i.e., 3.00% x 0.8	2.40%
<b>CPI Rate Adjustment on July 1, 2012</b>	<b>2.40%</b>

### 2. Measure D Fee Adjustment per Franchise Agreement Article 15.8.3

The Alameda County Measure D Fee usually increases each year on January 1, although it did not on January 1, 2012. 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 1/1/12	\$8.23
Measure D Fee effective 1/1/12	\$8.23
Measure D Fee increase effective 1/1/12	\$0.00



An American Public Works Association Accredited Agency

## July 1, 2012 Solid Waste Rate Adjustment

FY 2010/2011 franchise tons	168,432
Total increased fees on 2010/2011 franchise tons, i.e., \$0 x 168,432	\$0
Total increased fees (18-month effect), i.e., \$0 x (18/12)	\$0
Prior year 18-month effect (see 5/2/10 Letter re: July 1, 2011 Solid Waste Rate Adjustment)	\$15,618
Deduct 6-months from 7/1/11 18-month effect, i.e., \$15,618 / 3	\$5,206
Net Measure D Fee adjustment for 7/1/12, i.e., \$0 - \$5,206	(\$5,206)
Total FY 2009/2010 franchise revenue	\$79,059,057
Rate adjustment calculation, i.e., -\$5,206 / \$79,059,057	-0.01%
<b>Measure D Fee Rate Adjustment on July 1, 2012</b>	<b>-0.01%</b>

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

Franchise Exhibit C-1 documents a combined Local Enforcement Agency (LEA) Inspection Fee rate component of \$0.33/ton (\$0.22/ton to Altamont Landfill plus \$0.11/ton for Davis Street Transfer Station), 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 this fee increase was not included in the July 1, 2010 rate adjustment, a 24-month effect on the adjustment to this fee (from July 1, 2010 to June 30, 2012) was included in the rates on July 1, 2011. 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, as shown below:

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
7/1/12 one-time true-up deducts 12-months from 24-month effect, i.e., 12 / 24	50%
7/1/12 adjustment basis, i.e., \$148,880 x 50%	\$74,440
Total FY 2010/2011 franchise revenue	\$79,059,057
Rate adjustment calculation, i.e., -\$74,440 / \$79,059,057	-0.09%
<b>2010 LEA Fee Rate Adjustment on July 1, 2012</b>	<b>-0.09%</b>

**4. 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 were adjusted to credit this overpayment by applying an 18-month effect (January 1, 2011 to July 1, 2012). 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 that deducts 6-months from the 18-month effect that was applied on July 1, 2011. The below one-time true up adjustment nets out the +0.06% adjustment made in 2003 to 0.00%-going-forward. No further adjustment will be necessary in future years.

## July 1, 2012 Solid Waste Rate Adjustment

Altamont Settlement adjustment July 1, 2003 thru December 31, 2010	0.06%
Altamont Settlement adjustment after December 31, 2010	0.0%
Altamont Settlement Fee Rate Adjustment on July 1, 2011, i.e., $-0.06\% \times (18 / 12)$	-0.09%
Altamont Settlement Fee Rate Adjustment on <b>July 1, 2011</b> , i.e., $-0.09\% \times (18 / 12)$	-0.09%
7/1/12 one-time true-up adjustment deducts 6-mo from 18-mo effect, i.e., $-0.09 \times (-6 / 18)$	0.03%
<b>2003-2010 Altamont Settlement Fee Rate Adjustment on July 1, 2012</b>	<b>0.03%</b>

## July 1, 2012 Rate Adjustment Summary

Rate Adjustment Component	Rate Impact (%)
1. Annual CPI Adjustment	2.40%
2. Annual Measure D Fee Adjustment	-0.01%
5. 2010 LEA Fee Adjustment (final adjustment)	-0.09%
6. 2003 - 2010 Altamont Settlement Fee Adjustment (final adjustment)	0.03%
<b>Total Rate Adjustment</b>	<b>2.33%</b>

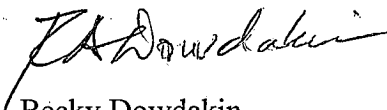
**Please confirm in writing that WMAC accepts and approves the rate adjustment calculations and total rate adjustment amounts identified in this letter.**

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