



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 FY2017 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)



City of Berkeley Commercial Franchising Study

City Council Workshop
February 10, 2015



Scope of Analysis

- Reviewed and Considered the Impacts to:
 - Zero Waste Fund
 - General Fund
 - Staffing and (De)mobilization
 - Berkeley’s Zero Waste Goal
 - Customer Service
 - Cost of Services
 - Street/Road and Traffic
- Meetings with City Staff
 - Received input on operations, rate structure, customer relations and coordination with franchisees
 - Incorporated findings into considerations



Background – Types of Materials

- “Recyclables,” “Containers,” & “Fibers”



- “Organics”



- “Dry Rubbish”



- “Solid Waste”



Images courtesy of: City of Berkeley, and
Stopwaste.org



Background – Types of Service

- “Carts” and “Split-Carts”



- “Bins”



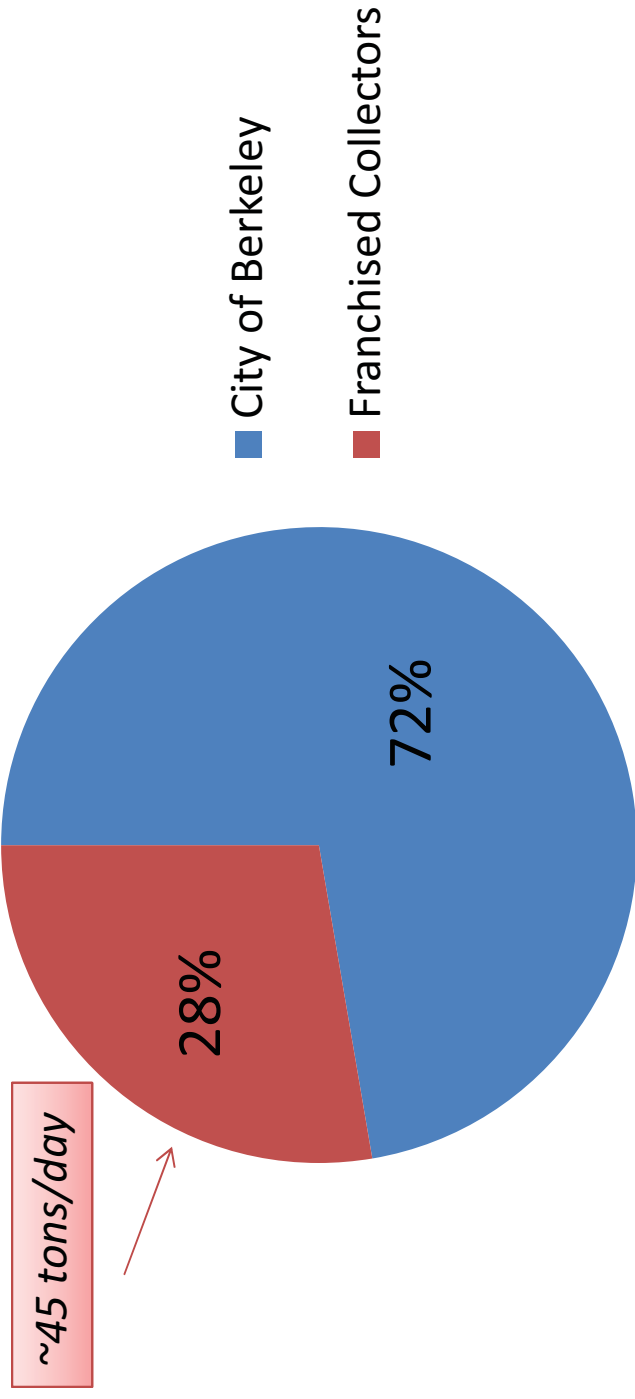
- “Roll-Offs”



Images courtesy of: City of Berkeley, Consolidated Fabricators Corp., and Wastequip, LLC

Background – Current System

Estimated Total Tons Collected



~45 tons/day

**does not include non-franchised collectors*



Summary of Options Collection Summary by Material

Option	Residential All Materials	Commercial				Roll-Off All Materials
		Solid Waste	Dry Rubbish	Recyclables	Organics	
Status Quo	City	City	NEF	City, NEF	City	City, NEF
Option 1 <i>City Provides All Commercial Services</i>	City	City	N/A	City	City	City
Option 1a <i>City Provides All Service but Roll-Off</i>	City	City	N/A	City	City	NEF
Option 2 <i>Single Exclusive Franchisee</i>	City	EF	N/A	EF	EF	EF
Option 3 <i>Multiple Non-Exclusive Franchisees</i>	City	NEF	N/A	NEF	NEF	NEF
Option 4 <i>City Franchises Recyclables Collection</i>	City	City	N/A	EF	City	(N)EF

Legend:

- City – City Operated Collection Crews
- EF – Single, Exclusive Franchisee
- NEF – Multiple, Non-Exclusive Franchisees



Option 1: City Provides all Commercial Services

- ZW Fund: Net increase in commercial revenue of \$795K/year
 - New revenue would go towards:
 - Debt service for new equipment
 - Contribution to capital reserves (incl. Transfer Station replacement)
 - Loss of \$348K/year residential funding support from franchise fees
- General Fund: Loss of all franchise fee revenue (\$841K/year)
 - Reduced funding for residential street sweeping and graffiti abatement (\$393K)
- Requires 7 new employees and \$1.6M in equipment
- Greatest control of recycling-related activities
- Customers have one point of contact for all services
- Customers previously subscribing to private hauler service may see rate increases
- Reduced vehicle trips, emissions, traffic, road impacts



Option 1: City Provides all Commercial Services

Option 1 Summary

Zero Waste Fund	✓	Increased commercial revenue
General Fund	✗	Loss of franchise fees
Staffing and (De)mobilization	✓	New jobs Affordable start-up cost
Zero Waste Goal	✓	Greater control and management of recycling/dry rubbish
Customer Service	✓	One point of contact
Cost of Service	✗	Potential increase for bin customers
Street/Road and Traffic	✓	Reduced trips

Considerations

- Add customer outreach/technical assistance (\$50K-100K/year) to enhance mandatory recycling ordinance compliance/effectiveness
- Single-stream recycling to business to match current service and reduce confusion during transition



Option 1a: City Provides all Service but Roll-Off

- ZW Fund: Net increase in commercial revenue of \$196K/year
 - New revenue would go towards:
 - Debt service for new equipment
 - Contribution to capital reserves (incl. Transfer Station replacement)
 - Loss of \$157K/year residential funding support from franchise fees
- General Fund: Retain franchise fee revenue of \$599K/year
 - Sufficient funding for Clean City program (\$393K/year)
- Requires 6 new employees and \$1.3M in equipment
- Increased control of recycling-related activities
- Cart/bin customers have one point of contact for service
- Customers previously subscribing to City roll-off service will likely see rate reductions
- Reduced vehicle trips, emissions, traffic, road impacts

City Provides all Commercial Services as in Option 1, except Roll-Off, which is provided by a non-exclusive franchisee(s)



Option 1a: City Franchises Roll-Off

Option 1a Summary

Zero Waste Fund	✓	Increased commercial revenue
General Fund	✗	Loss of franchise fees
Staffing and (De)mobilization	✓	New jobs Affordable start-up cost
Zero Waste Goal	✓	Greater control and management of recycling/dry rubbish
Customer Service	✓	One point of contact for cart and bin customers
Cost of Service	✗ / ✓	Potential increase for bin customers Reduction for roll-off customers
Street/Road and Traffic	✓	Reduced trips

Considerations

- Add customer outreach/technical assistance (\$50K-100K/year) to enhance mandatory recycling ordinance compliance/effectiveness
- Single-stream recycling to business to match current service and reduce confusion during transition



Option 2: Single Exclusive Franchisee

- ZW Fund: Residential and Transfer Station share of overhead increases significantly (\$2.2M); \$353K of overhead costs eliminated
- General Fund: Additional gross franchise fee revenue (\$4M) covers reallocated costs and Clean Cities programs
 - Reallocated ZW Fund costs (\$2.2M)
 - City maintains BOSS, mechanical sweeping (\$887K)
 - Franchisee performs/pays for hand-sweeping, public litter collection, and sidewalk steam cleaning (\$1.7M)
- Loss of 25 employees; \$1.2M demobilization revenue
- Increased control of recycling-related activities, relative to non-exclusive system
- Customers have one point of contact for all services
- Rate increase unlikely, possible reductions if rate structure is well designed
- Reduced vehicle trips, emissions, traffic, road impacts



Option 2: Single Exclusive Franchisee

Option 2 Summary

Zero Waste Fund	X	Loss of commercial rate revenue
General Fund	✓	Increased franchise fee revenue
Staffing and (De)mobilization	X / ✓	Staffing cuts One-time demobilization revenue
Zero Waste Goal	X	Reduced control and management of recycling/dry rubbish
Customer Service	✓	One point of contact
Cost of Service	✓	Rate increase unlikely, possible reduction
Street/Road and Traffic	✓	Reduced trips

Considerations

- Require flow control of franchise tons to Berkeley Transfer Station
- Require franchisee to acquire City equipment/employees
- Require franchisee to increase customer technical assistance



Option 3: Multiple Non-Exclusive Franchisees

- ZW Fund: Residential and Transfer Station share of overhead increases significantly (\$2.2M); \$353K of overhead costs eliminated
- General Fund: Additional gross franchise fee revenue (\$4M) covers clean cities programs (\$2.3M), but not reallocated ZW Fund costs (\$2.2M)
- Significant demobilization impacts
 - Loss of 25 employees
 - Net \$805K shortfall
 - Not likely to secure jobs for displaced employees
- More difficult for City to control recycling-related activities
- Competition allows customers to change providers if they are not satisfied with service or price
- Likely reduction in some commercial customer rates, but rates will vary between service providers
- No significant change in vehicle trips, emissions, traffic or road impacts



Option 3: Multiple Non-Exclusive Franchisees

Option 3 Summary

Zero Waste Fund	X	Loss of commercial rate revenue
General Fund	✓	Increased franchise fee revenue
Staffing and (De)mobilization	X	Staffing cuts Demobilization shortfall
Zero Waste Goal	X	Reduced control and management of recycling/dry rubbish
Customer Service	✓	Competition allows customers to shop for service
Cost of Service	--	Possible rate reductions, but difficult to predict
Street/Road and Traffic	X	No improvement

Considerations

- Require flow control of franchise tons to Berkeley Transfer Station
- Require franchisees to increase customer technical assistance
- Additional enforcement/monitoring by City



Option 4: City Franchises Recyclables Collection

- ZW Fund: Reduced labor expense (\$789K); Cease providing a service with increasing costs that produces no rate revenue
- General Fund: Additional gross fee revenue (\$129K); reduced contribution from ZW Fund(\$86K)
- Loss of 6 employees; demobilization expense of \$133K
- Less control of recycling-related activities; continued or expanded code enforcement to ensure franchised hauler does not collect putrescibles
- Customer service messages may continue to compete
- No significant rate changes for customers likely
- Reduced vehicle trips, emissions, traffic, and road impacts

City collects all solid waste and organics, exclusive or non-exclusive franchisees collect recyclables



Option 4: City Franchises Recyclables Collection

Option 4 Summary

Zero Waste Fund	✓	Exit business with increasing costs and no rate revenue
General Fund	✓	Increased franchise fee revenue
Staffing and (De)mobilization	✗	Staffing cuts
Zero Waste Goal	✗	Reduced control and management of recycling/dry rubbish
Customer Service	✗	Potential for continued competing messages
Cost of Service	✓	No significant impact Potential to regulate recycling rates
Street/Road and Traffic	✓	Reduced trips, relative to non-exclusive system

Considerations

- Add enforcement/technical assistance (\$50K - \$100K/year)
- Require hauler to hire any displaced City employees



Zero Waste Division

Summary of Staffing Impacts

Option	Supervisors	Drivers	Workers	TOTAL
1 City Provides All Commercial Services	--	+4	+3	+7
1a City Provides All Service But Roll-Off	--	+3	+3	+6
2 Single Exclusive Franchisee	-2	-12	-11	-25
3 Multiple Non-Exclusive Franchisees	-2	-12	-11	-25
4 City Franchises Recyclables Collection	--	-3	-3	-6

NOTE: Does not include other City-wide staffing impacts resulting from reduced revenue



Summary Conclusions

Option 1 <i>City Provides All Commercial Services</i>	<ul style="list-style-type: none"> - Requires additional funding from General Fund for Clean Cities and residential program support - Start-up costs of \$1.6M, recovered over ~2 years through increased commercial revenue - Increased control and measurement of zero waste results - Eliminates City administrative obligation to monitor/audit franchisees - Simplified customer experience, one contact for all services, negligible change in cost of service
Option 1a <i>City Provides All Service but Roll-Off</i>	<ul style="list-style-type: none"> - Loss of residential funding support from General Fund may be recovered through operational efficiencies - No net impact to General Fund - Start-up costs of \$1.3M, recovered over ~7 years through increased commercial revenue - Increased control and measurement of zero waste results - Reduces City administrative and enforcement obligations - Simplified customer experience, negligible change in cost of service
Option 2 <i>Single Exclusive Franchisee</i>	<ul style="list-style-type: none"> - Additional franchise fee revenues available to support Clean Cities - One-time demobilization income of ~\$1.2M - Significant staff reductions - Decreased control and measurement of zero waste results - Reduces City administrative and enforcement obligations - Simplified customer experience, one contact for all services, negligible change in cost of service
Option 3 <i>Multiple Non-Exclusive Franchisees</i>	<ul style="list-style-type: none"> - Additional franchise fee revenues available to support Clean Cities - One-time unfunded demobilization costs of \$805K - Significant staff reductions - Decreased control and measurement of zero waste results - Increases administrative and enforcement obligations - Complicated customer experience, competition may result in lower costs for some customers
Option 4 <i>City Franchisees Recyclables Collection</i>	<ul style="list-style-type: none"> - Cost savings of \$1.1M/year to Zero Waste Fund - One-time demobilization costs of \$133K - Moderate staff reductions - Decreased control and measurement of zero waste results - Does not significantly resolve administrative and enforcement obligations - Does not significantly change customer experience, no change in cost of service likely



