



**A Public Agency**

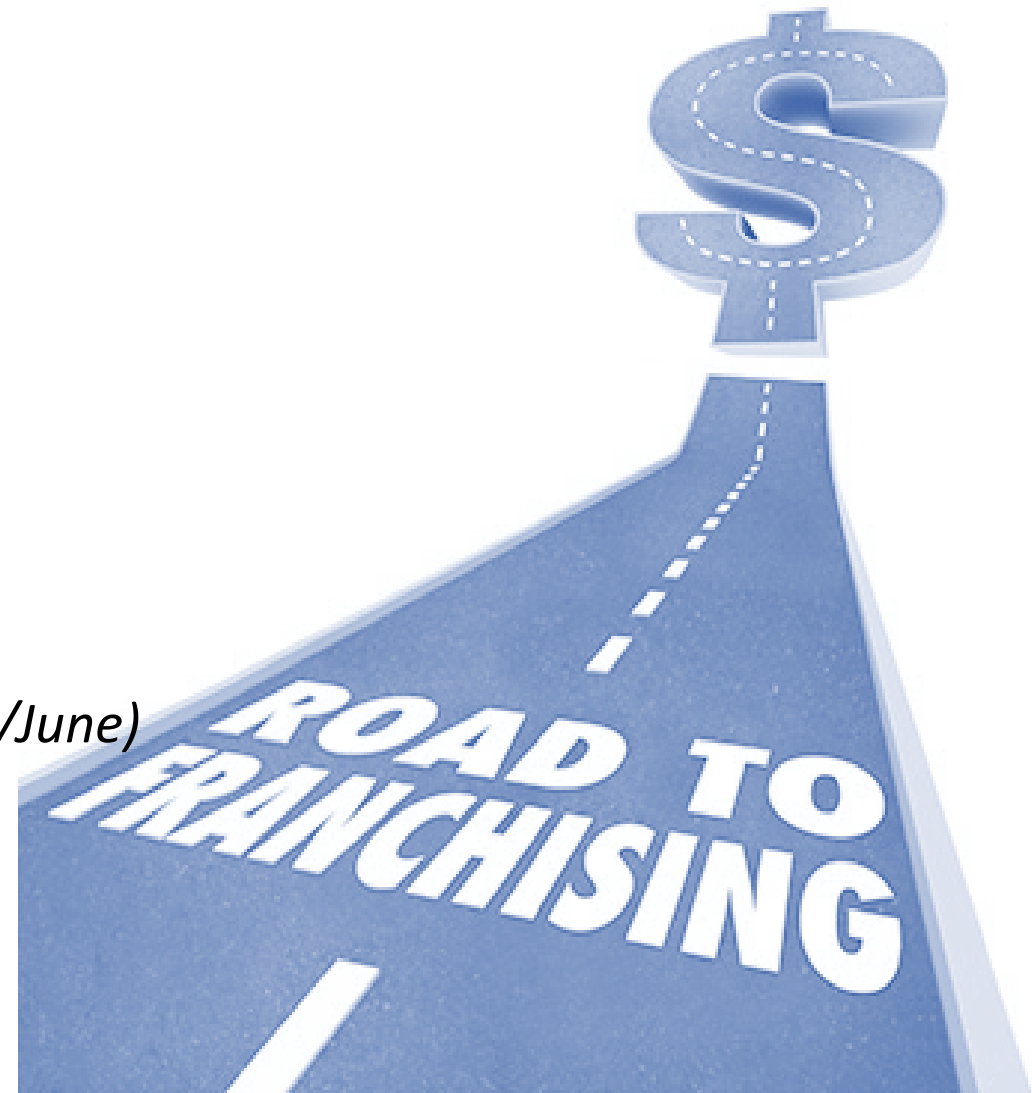
**Update on**

**Franchise Agreement Extension Negotiations with Recology**

**As of the April 27, 2017 SBWMA Board Meeting**

# Negotiations Activities

- **1-Yr. Process by SBWMA Board:**
  - **Current FA Expiration** *(12/31/20)*
  - **FAX Committee formed**
  - **FAX Goals:**
    - Model FA w/Recology+ costs = 2021+
    - More stable/predictable rates
  - **Negotiations held** *(Nov. 2016-April 2017)*
  - **MA Input, Surveys + Comments**
  - **Franchise Workshops**
- **SBWMA Board Meetings** *(April + May/June)*
- **Member Agency Approvals:**
  - **Two Levels:** June/July
  - **Dec. 31, 2017** *(Final)*



# Collection Services

- **Core collection services:** No changes
- **Bulky Item/Abandoned Waste Collection:** *Daily cap*
- **Performance Incentives/Disincentives:** *Use prior 5 year avg.*
- **Quarterly Contamination Audits:** *Eliminated*
- **Pub Ed + Recycling Tech Assist Plan:**  
*Joint SBWMA/Recology 3-year planning cycles*



# Key Contract Terms

- **Term and Extension Provisions:**

- **Options:** 10 or 15 yrs. (*Recommend: 15 yrs. due to cost*)
- **Extension:**
  - Up to one 12 month term (*agency choice*)
  - Up to one 5-year term (*mutual agreement*)

- **Vehicles:**

- Use existing fleet into new term
- Replace all 140 vehicles by 2026 (*\$48M capital cost*)
- Alternative fuel consideration

- **Containers:**

- Use of existing containers
- Replace over time, as needed



# Compensation Highlights



- **Fixed Cost Contract:** *No change*
- **Annual Allocation adjustments:** *New by jurisdiction*
- **Used 2016 Actuals as base.** *Add CPI/other factors = 2020 Est.*
- **2021 Negotiated Costs:** *Add Fuel Index + Service Levels*
- **Regional vs. National Indices**
- **Annual Service Level Adjustment:** *Uses 3-yr rolling account avg.*
- **Annual 5% CAP on Contractor's Compensation**
- **No cost true-ups during the term**

# Preliminary Financial Results

- **Base Contractor's Compensation adjustments:**

- **2019-2020:** +2.4% (CPI Estimate)
- **2020-2021:** **+10.2%\*** (+ Fuel Index + Growth)
- **2022+:** +5% Annual CAP (CPI + Growth)

\* 2021 = Add Fuel Index + Growth adjustments

- **Customer Rates:**

**Many Factors = Agency-specific conditions/mitigation measures**

# Benefits of Negotiated Recology Offer

- **Consistency with all existing collection services**
- **Avoidance of new service provider transition and pitfalls**
- **Improved rate-setting stability/predictability**
- **Rates continue to be in-line w/Bay Area**
- **Continued cost savings from collection efficiencies**
- **Sharing of future inflation risk by Recology**
- **Labor continuity with known company/mgmt. team**
- **Estimated \$2-3M cost avoidance**

# 5 Next Steps

## #1. Workshops *(May 3 and TBD)*

TAC/City Staff, City Manager, City Legal Counsel

## #2. City Council Meetings *(May 1- 23)*

## #3. SBWMA Board Meeting *(May)* – Final Approval

## #4. Member Agencies “Accept” SBWMA *(June/July)*

Recommendations

## #5. Member Agency Negotiations *(June-Dec.)*

*Negotiate Individual Agreements*







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# Questions?

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