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Oakland Public Works  
Environmental Services Division  
FAX (510) 238-7286  
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May 28, 2015

SENT BY EMAIL: bskolnic@wm.com

Barry Skolnick  
Waste Management of Alameda County  
172 98<sup>th</sup> Avenue  
Oakland, CA 94603

**RE: Required Alameda County Customer Service Center**

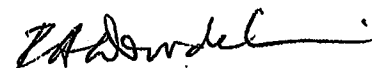
Dear Mr. Skolnick:

The City of Oakland is aware that WMAC's customer service center in Oakland is unlikely to open by July 1, 2015, due to an unsettled dispute with ILWU Local 6, which represents WMAC's customer service representatives. Further, we understand from WMAC management that upon settlement of this dispute, WMAC would need a minimum of six weeks to open the Oakland customer service center.

Section 16.02 of the Mixed Materials and Organics (MM&O) collection services contract requires that WMAC "shall maintain a Customer center in Alameda County that provides toll-free telephone and email access to residents and businesses of CITY, and is staffed by trained and experienced Customer Service Representatives." Should WMAC fail to open a fully staffed customer service center per Section 16.02, the City will consider this a violation of the MM&O contract requirements. It is unacceptable.

While the Zero Waste RFP process allowed a local call center as an alternative, the City Council made its award of the MM&O contract in 2014 with the requirement of a local call center. The requirement was intended to provide local employment and bring specialized knowledge on the Oakland contract to bear in service of Oakland customers. The City requests, no later than June 5, 2015, a response from WMAC that addresses how it intends to comply with Section 16.02 of the MM&O contract. Failure to do so may result in the City using any and all legal recourses necessary to achieve compliance.

Sincerely,

  
Becky Dowdakin  
Environmental Services Manager

Mr. Barry Skolnick  
Customer Service Center  
May 29, 2015

cc: John A. Flores  
Claudia Cappio  
Brooke A. Levin  
Susan Kattchee  
Celso Ortiz  
David Tucker, WMAC  
Rebecca Parnes, WMAC





**WASTE MANAGEMENT of  
ALAMEDA COUNTY, INC.**  
172 98<sup>th</sup> Avenue  
Oakland, CA 94603  
(510) 383-2404

June 2, 2015

Lynette Gibson McElhaney  
President, Oakland City Council  
City of Oakland  
1 Frank H. Ogawa Plaza  
Oakland, CA 94612

Re: Status of the Oakland Call Center

Dear Council President McElhaney:

I understand there have been questions raised regarding the status of the Oakland call center that Waste Management of Alameda County, Inc. ("WMAC") completed in May 2015. However, before I address the call center, I would like to inform you and your fellow Council Members that WMAC continues to invest considerable time, effort and resources to ensure the Zero Waste roll-out is successful including (a) purchasing and onboarding of natural gas trucks (b) training our drivers on new trucks and routes, (c) purchasing and labeling of carts and bins, (d) designing, engineering, and building the Davis Street Multi-Family sort line, (e) designing and engineering the Covered Aerated Static Pile ("CASP") for composting capabilities at the Altamont Landfill, (f) constructing WMAC's and Davis Street's CNG fast fuel and slow fuel infrastructure, (g) commencing Davis Street's Integrated Mixed Waste Processing Facility; and (h) designing and deploying more than one million dollars in Public Education and Outreach efforts. And, with respect to the local call center, WMAC has spent more than \$1.2 million to fully develop and build the center at our 98<sup>th</sup> Avenue facility in Oakland. Indeed, as of the date of this letter, WMAC has spent or committed to spend more than \$120 million to implement the MM&O contract.

Just as important, within an extraordinarily short time period (from the 18 months set forth in the RFP to what is now only five months), WMAC has assembled 20 separate Implementation Teams, with 10-15 members per team, and tapped into every available regional and corporate resource we have to ensure an effective roll out of services July 1, 2015. We have also made every effort to assist the City staff, and to work directly with all of our counterparts who collectively make up the City's Zero Waste team. And to further ensure the timely implementation of services, WMAC has taken the lead on many items, including the call center, billing, revenue management, special assessment, public education, outreach, routing and logistics, coordination with EBMUD, working with Civicorps and coordinating efforts with Local 1546, 70 and 6. These tasks have fallen squarely on the shoulders of WMAC and we believe our team has done an extraordinary job and performed with exceptional integrity.

With respect to the Oakland call center, as mentioned, WMAC has already completed construction of the center at our 98<sup>th</sup> Avenue headquarters. The entire required infrastructure is in place including space, cubicles, computers, TV/monitors, phone system, software licensing and coordination with AT&T/technology platform. Additionally, in March through April of this year, WMAC conducted a comprehensive interview process to identify local service representatives meeting the MM&O

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requirements of experience and multi-lingual capabilities. We initiated the build-out and interview process with the understanding that we and Local 6 of the International Longshore and Warehouse Union were in agreement on the requirements for the applicable labor contract, which is essential to fully staffing operations.

In fact, as you may recall, before we could respond to the concerns of your fellow Councilmembers by committing to a local call center, we engaged in conversations with Local 6's representative and with then-Mayor Jean Quan in late 2014, at her request, to address the specific issue of providing a retirement vehicle for new call center employees under a new Collective Bargaining Agreement (CBA). We did this because the existing ILWU Pension under the Clerical and Landfill CBAs is underfunded and in critical status and, as of May 2014, Waste Management had an estimated potential withdrawal liability of more than 10 million dollars. The Parties agreed to fund a 401(k) in lieu of the ILWU Pension for the new Oakland call center employees, with company-provided funding of the 401(k) at the exact same monthly dollar amount of contributions per employee as for the ILWU Pension under the existing Clerical CBA. We honored our commitment and in April 2015 sent ILWU a new CBA to review, which would cover the Oakland call center employees. The overall language of the proposed CBA is identical to the existing Clerical contract with the exception of the 401(k) in lieu of ILWU pension.

With the understanding that Local 6 was in agreement with the 401k proposal, we moved forward with our commitment and, as mentioned, built-out the entire call center. However, we recently learned from Local 6's representative, Mr. Fred Pecker, that he is no longer in agreement with WMAC's proposal and is advocating for the existing underfunded pension plan with inferior retirement benefits versus the 401(k) retirement vehicle. This is the same underfunded pension plan that ILWU has allowed Farmers' Rice Cooperative, Mandarin Farms, C&S Wholesale, Nabisco, Kinder Morgan Energy Partners, Owens-Illinois, and ILWU Warehouse Union Local 17 to move out of in favor of better-funded solution, as we are proposing. More importantly, the 401(k) plan we are proposing is the "Supplemental Income Plan (SIP 401(k))", which is a multi-Union Plan with 13 different participating Unions including ILWU.

Below is a comparison between funding the ILWU Pension versus the Union Supplemental Income Plan (SIP 401(k)) with \$909.03 per month employer contributions to each Plan. The comparison table gives the estimated monthly retirement benefit from the two different plans. These estimates are based on certain assumptions, such as age 65 retirement, and a modest return of 4 to 6% in the SIP 401k. For more detail on the assumptions, refer to the footnote below.<sup>1</sup> Based on these assumptions, the SIP 401k is far superior to the ILWU Pension and is considerably better for our proposed call center employees.

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<sup>1</sup>These estimates are based on the current schedule of benefits in the IWUL pension and monthly contribution rate of \$909.83 as of July 1, 2016 with no assumed increases. Other assumptions include (a) conversion of projected age 65 SIP 401(k) balances to a single life annuity at a 4.5% interest rate and using a unisex version of the new 2014 mortality table with projected mortality improvement, (b) all SIP 401(k) benefit amounts are from employer contributions and any 401(k) contributions made by the employees would add to the SIP 401(k) amounts, (c) assumes that dates of hire would be on July 1, 2015, (d) assumes retirement at age 65; and, (e) assumes employer contributions to the SIP 401(k) are made throughout the year.



<b>Projected Age 65 Benefit Amounts</b>		
<i>Payable as a Monthly Single Life Annuity</i>		
<b>Hire Age</b>	<b>Distributors Association Warehousemen's Pension Trust ILWU Pension</b>	<b>Defined Contribution with 4% to 6% annual investment return to Age 65 Union SIP 401k</b>
25	\$1,785	\$5,791 to \$9,519
35	\$1,335	\$3,472 to \$4,940
45	\$ 885	\$1,874 to \$2,337
55	\$ 435	\$768 to \$851

Local 6's new position is contrary to our understanding at the time of the contract award, which formed the basis for our agreement to provide a local call center with no additional financial impact. Moreover, Local 6's new position is bad for our call center employees and deprives them of a portable retirement vehicle. We do not mean to offend, but we believed then and believe now that it is fiscally irresponsible to enter into a grossly underfunded pension plan with inadequate benefits that creates risks for our company, the City of Oakland and its ratepayers and is bad for our Oakland call center employees.

We are obviously disappointed with Local 6's new position. Although we hope that Local 6 will abide by its earlier commitment regarding the 401(k) plan, and re-engage in positive discussions to resolve this issue, we feel time compelled to at least plan for the temporary use of our Regional Call Center in order to mitigate any contractual issues by ensuring that customer calls will be promptly and professionally addressed, as required. The Regional Call Center was part of WMAC's original proposal and is fully staffed with customer service representatives trained in and familiar with the Oakland contract requirements. WMAC will also locally monitor the Regional Call Center to ensure that customers receive prompt and competent service consistent with the requirements of the MM&O, and, as you may know, we have several local customer service representatives already employed at our 98<sup>th</sup> Avenue facility trained to address customer concerns. In fact, we continue to put substantial time, effort and resources into the preparation and training of our customer service representatives regardless of whether the calls are answered locally or at our Regional Center. For example, our Regional Call Center will have an independent queue for Oakland calls, and will include trained



customer service representatives devoted to Oakland customer calls and/or service questions. In addition, our local team will be available to assist Regional Call Service managers, and Oakland representatives will be physically present at our Regional Center during our transition to the Oakland call center. In other words, we are making every effort to ensure a seamless transition and to meet our service requirements, which will, of course, continue once the local call center is up and running.

We remain committed to a prompt resolution of any issues with Local 6 consistent with our earlier financial proposal so that we may fully staff our local call center. WMAC remains amenable to a workable solution, including alternative pension plans that are not in critical status/underfunded and do not create withdrawal liability, if Local prefers such an option to the Union's Supplemental Income Plan (Union SIP 401(k)).

WMAC is obviously aware of its contractual commitments, obligations, and remains committed to continually meet those obligations. We will, of course, keep the City fully informed as we move forward, and should you have any questions, please give me a call.

Sincerely

A handwritten signature in cursive script that reads "Barry Skolnick".

Barry Skolnick  
President

cc: Dan Kalb  
Abel Guillen  
Anne Campbell Washington  
Noel Gallo  
Desley Brooks  
Larry Reid  
Rebecca Kaplan  
Libby Schaaf, Mayor  
John Flores, City Administrator  
Susan Kattchee