



## Item No. 1 Town of Atherton

### **CITY COUNCIL STAFF REPORT – STUDY SESSION AGENDA**

**TO: HONORABLE MAYOR AND CITY COUNCIL**

**FROM: GEORGE RODERICKS, CITY MANAGER**

**DATE: MARCH 2, 2016**

**SUBJECT: DISCUSSION AND DIRECTION TO THE CITY COUNCIL BOARD REPRESENTATIVE(S) AND STAFF REGARDING THE REFUSE FRANCHISE RENEWAL PROCESS**

#### **RECOMMENDATION**

Review report and provide direction.

#### **BACKGROUND**

The Town is a member of the South Bay Waste Management Authority (SBWMA). The SBWMA (also known as “RethinkWaste”) is a Joint Powers Authority (JPA) was formed in 1982 with the goal of providing cost effective programs for its member agencies to meet the state mandate waste diversion target.

The 12 member agencies consist of Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, the County of San Mateo and the West Bay Sanitary District. Through the JPA, these member agencies own and manage the Shoreway Environmental Center which receives all of the recyclables, organics, and garbage collected in its service area.

The SBWMA also provides oversight, support and management of service providers that collect, process, recycle and dispose of materials for the member agencies. As a separate legal entity, the SBWMA operates with a Board of Directors comprised of elected officials from its member agencies and agency staff consisting of an Executive Director, and full-time staff to administer the Agencies various programs and services. In addition to contract management of Recology, South Bay Recycling, and associated contracts, the SBWMA administers training programs, educational programs, and outreach.

## **FINDINGS/ANALYSIS**

As a member of the SBWMA, the Town is part of a 10-year contract between the SBWMA, member agencies, and Recology. This contract expires on December 31, 2020. Within the contract, there is a requirement to “meet and confer” on the possibility for extension during 2017. The 2017 decision timeline was established to allow sufficient time, if needed, to conduct a full competitive procurement process if no extension was granted.

During the negotiation process, the SBWMA (JPA staff) will take the lead in negotiating and drafting a uniform franchise agreement (together with any amendments and administrative revenue requirement projections thereto) that apply across all member agencies. The SBWMA staff will also assist member agencies with negotiating agency-specific franchise agreement changes. For example, if a member agency desires a specific change in Recology’s scope of services unique to their community.

Also, if directed by the SBWMA Board of Directors, JPA staff will take the lead in developing and managing a collection services contractor Request for Proposal (RFP) selection process. The process would conclude in time to provide uninterrupted service after the expiration of the current franchise agreements on December 31, 2020.

As part of the negotiation process, SBWMA staff, together with input from member agencies through the staff Technical Advisory Committee and Board of Directors, will prepare a high-level analysis of Recology’s performance in meeting the standards outlined in the franchise agreement. Recology will also provide its own self-review.

### **Issues for Town Consideration**

The Town has a few options with respect to the process.

- 1) The Town can work with the SBWMA and remain with Recology allowing the SBWMA to negotiate an extension with input on issues specifically related to the Town;
- 2) the Town can opt partially out of that process and with the help of the SBWMA create an independent RFP for collection services only; or
- 3) the Town can opt fully out of that process, exit the JPA (at a cost), and conduct our own RFP for full collection, sorting, recycling, and disposal.

The attached PowerPoint presentation prepared by the Town’s SBWMA Board Representative and Council Member Bill Widmer provides an overview of the JPA, franchise agreement, Atherton-specific facts/figures, and decision issues for the Town to consider.

Via the JPA, the SBWMA services a diverse set of cities and towns in San Mateo County. Many of their programs and services relate to areas that do not directly apply in Atherton. These include multi-family dwellings and commercial services, education, and outreach. In addition, because of the Town’s unique demographics (i.e. non-commercial, non-multi-family), some of the potential programmatic changes and enhancements would have limited to no impact and potentially

negative impact on services for the Town. These include the use of smaller, split-body collection trucks, consideration of every-other-week refuse collection (black bin), and outreach programs targeting commercial and multi-family collection areas.

Some proposed programs and services will provide the Town benefit. These include the possibility of GHG credits for waste-to-energy processes, fleet conversion to compressed natural gas vehicles, LED lighting conversions, battery programs, and glass contamination removal programs.

All of these programs and services represent costs that are passed on to the Town in proportional share via either the direct Recology franchise agreement or the overhead included in the SBWMA agreement.

*The purpose of tonight's meeting is to provide the Town's SBWMA City Council Representative and staff with feedback on the Town's position with respect to next steps in the process. The SBWMA requests that member agencies provide feedback to the SBWMA Board of Directors in March on whether to be a part of the joint effort to negotiate a potential franchise extension with Recology, with the possibility of agency-specific revisions, or to strike out on their own.*

## **POLICY FOCUS**

There are issues and impacts related to each option expressed above for Council consideration.

### **Option 1 – Remain as part of the SBWMA Process for Franchise Renewal Discussions**

If the Town were to participate in the SBWMA-driven process, the Town has the ability to opt out of the process at a future date. The Town would need to focus on services and programs that do not provide benefit to the Town and push for those services and programs to be “a la carte” selections for the Town. It is likely that the Town would receive push-back from the SBWMA Board to do so. However, services and programs that should be considered a la carte for the Town are:

- Commercial Outreach Programs
- School Busing Programs
- Every-Other-Week Collection Programs
- Smaller, Split-body Collection Vehicle Programs
- Mixed-Waste Processing Enhancements
- Operational Audits

### **Option 2 – Remain as part of the SBWMA but conduct an independent RFP Process**

If the Town were to conduct its own RFP for collection services only the Town's participation in the SBWMA would not be restricted and the SBWMA would provide some assistance in the process. However, if the Town were to select another vendor or have a substantially different franchise agreement, the Town would have contract-management responsibility and auditing responsibility of the collection vendor (auditing via contract). If the Town were to conduct its own

RFP for collection services only, timing is critical and the extensive RFP preparation and review process would need to be initiated this year. This could be done in somewhat tandem form with the SBWMA process whereby if the Town were not able to negotiate a la carte services to its satisfaction, the Town may have the ability to do so separately with a potential vendor. This could provide some negotiative opportunities for the Town with our current vendor.

### Option 3 – Exit the SBWMA Entirely

Lastly, the Town could opt out entirely from the SBWMA. If the Town were to exit the SBWMA, the Town would be liable for its portion of any debt incurred by the SBWMA, such as the San Carlos Facility. The Town's portion of this debt obligation is approximately 3.4% of the SBWMA revenue or \$1,658,520. The total bond obligation is approximately \$48.8m, down from the initial \$53m. In order for the Town to exit the SBWMA, the formation documents require a 4/5 vote of the Board of Directors authorizing the agency's exit. Exiting the JPA not only requires the Town to provide full collection, sorting, recycling, and disposal services; but also requires that the Town provide any other state-mandated services and programs (education, outreach, diversion targets, penalties, etc.). The Town would be able use the San Carlos Facility for disposal, but would pay independent hauler fees as opposed to member-agency fees.

### FINANCIAL IMPACTS

None.

### PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service provides (water, power, and sewer), and regional elected officials.

### ATTACHMENTS (LINKS)

Attachment 1 – PowerPoint Presentation

Attachment 2 – Atherton Rate Sheet

Attachment 3 – Atherton Franchise Agreement with Recology (2009 Staff Report - 1.8MB file)  
(<http://www.ci.atherton.ca.us/DocumentCenter/View/2792>)

Attachment 4 - Atherton Annual Recology Report (abridged – Atherton Only) (3.9MB file)  
(<http://www.ci.atherton.ca.us/DocumentCenter/View/2794>)

Attachment 5 – SBWMA Recommended Plan and Process for Negotiations/RFP



# Refuse Collection and Processing Decisions



# Agenda

- ▶ Why are we having this session?
- ▶ JPA overview
- ▶ Franchise Agreement details
- ▶ Atherton Waste-Facts and Figures
- ▶ Upcoming Directions
- ▶ How Atherton's Costs and Rates are Established
- ▶ Decision Topics
- ▶ Recommendations
- ▶ Discussion & Direction



# Why are we having this session

- ▶ The current franchise agreement with Recology expires in 2020
- ▶ The Town and other JPA members need to decide whether or not to renew the agreement with Recology by EoY 2017
- ▶ If Atherton (independently or as part of the JPA) decides not to renew, or check the market, then time will be necessary to develop and let a RFP and evaluate proposals and select new contractor before Dec 31 2019
- ▶ What services do we want above and beyond the required base services?




# JPA Overview

- ▶ Atherton is one of 12 jurisdictions in the SBWMA which have banded together to contract for refuse collection, sorting, recycling and disposal
  - ▶ Board made up of elected appointees (Bill/Cary) from each jurisdiction
  - ▶ Technical Advisory Committee made up of Staff representatives (George)
- ▶ The SBWMA (rebranded as Rethink Waste) is headed by an Executive Director, 4 Functional Directors and administrative staff.
  - ▶ 8 full time employees in total.
- ▶ SBWMA manages Recology's, South Bay Recycling's & landfill contracts. They also contract for selling recyclables, and handle mandated training programs, bond issuance and own the San Carlos staging and processing facility. Strategy and financial operations are also developed or coordinated by SBWMA staff
- ▶ Recology collects refuse and transports it to San Carlos. Recology also performs commercial outreach
- ▶ SBR sorts the trash and transports it to the disposal or repurposing locations





# JPA agreement


- ▶ Established in 1982
  - ▶ Provides each jurisdiction the power to grant solid waste collection franchises and the authority to process refuse at the agency's facilities and to the disposal and repurposing locations
  - ▶ Centralizes vendor management, audit and reporting
  - ▶ Establishes and conducts educational and operational programs in accordance with AB 341
- 

# Franchise Agreement

- ▶ Ten year contract between Atherton and Recology expiring 31 December 2020
- ▶ Requirement to meet and confer on extension during 2017
- ▶ Covers Residential and Commercial activity in Atherton
  - ▶ -Does NOT include Public Schools or self haul disposals
- ▶ Scope of Core Services

<b>Organic Collections-weekly</b>	<b>Agency Facility Collection (one)</b>
Recyclable Collections-weekly	Residential bulk collection (two)
Solid Waste Collection-weekly	Christmas Tree Pick up

- ▶ Additional services include Annual Shredding, e-Waste collection, compost give-away, abandoned waste pick-up, Coats-4-Kids, Participation at Events
- ▶ Reporting, customer support, auditing, carbon footprint optimization, and emergency services



# Atherton Waste-Facts and Figures

- ▶ Total 2015 Atherton Diversion 81.28%
  - ▶ Residential 83.45%
  - ▶ Commercial 64.18%
- ▶ 11,595.69 tons collected in 2015
- ▶ Major Commercial Tonnage from Circus Club and Private Schools
  - ▶ Diversion from these locations should be in 90% range
- ▶ Note: overall agency diversion is 65.63 Residential; ~50%% overall
- ▶ AB 341 2020 overall diversion target: 75%
  
- ▶ Recology's Regional Quality Manager for Atherton
  - ▶ Adan Beltran, 650 598 8262/[abeltran@recology.com](mailto:abeltran@recology.com)

# HHW-An added Service 2015 Resident Usage Report

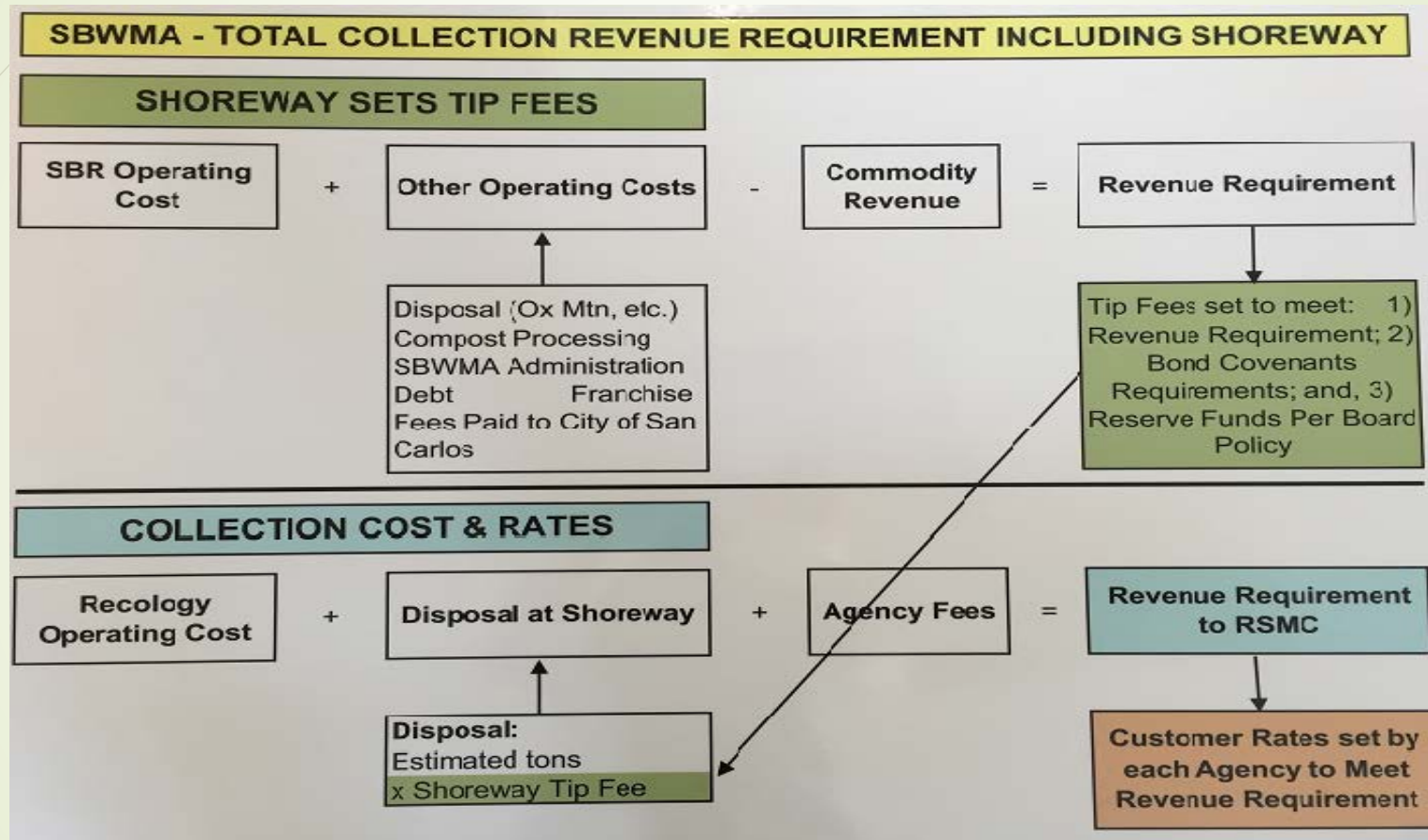
HHW-SINGLE FAMILY	JAN	FEB	MARCH	Q1	APRIL	MAY	JUNE	Q2	JULY	AUG	SEPT	Q3	OCT	NOV	DEC	Q4	TOTAL
Collections			19	19	20	10	14	44	13	5	9	27	23	7	3	33	123
Chemicals			444.00	444.00	649.38	160.50	428.81	1,238.69	634.13	314.25	365.85	1,314.23	809.44	227.00	174.25	1,210.69	4,207.61
Electronics			952.36	952.36	1,330.38	145.26	287.26	1,762.90	151.26	4.00	149.85	305.11	484.24	0.00	243.60	727.84	3,748.21
Non Classified			236.56	236.56	699.53	182.16	723.01	1,604.70	610.48	335.72	230.02	1,176.22	1,419.49	709.22	74.80	2,203.51	5,220.99
Universal			36.25	36.25	42.63	36.75	46.00	125.38	117.50	18.50	48.60	184.60	114.00	8.00	0.00	122.00	468.23
Total			1,669.17	1,669.17	2,721.92	524.67	1,485.08	4,731.67	1,513.37	672.47	794.32	2,980.16	2,827.17	944.22	492.65	4,264.04	13,645.04
Subtotal-Disposed			266.57	266.57	723.76	115.90	260.04	1,099.70	510.31	254.26	210.57	975.14	545.36	106.98	349.24	1,001.58	3,342.99
Subtotal-Recycled			1,402.60	1,402.60	1,998.16	408.77	1,225.04	3,631.97	1,003.06	418.21	583.75	2,005.02	2,281.81	837.24	143.41	3,262.46	10,302.06
Recycling %			84.03%	84.03%	73.41%	77.91%	82.49%	76.76%	66.28%	62.19%	73.49%	67.28%	80.71%	88.67%	29.11%	76.51%	75.50%

Note: Service began in March  
 123 Collections  
 Annual cost: ~13.3K/yr  
 Contract expires 12/31/16

# Upcoming Directions/Costs

- ▶ Key focus of SBWMA is to increase diversion
- ▶ Major activity/opportunities are Multi-Family Dwellings and Commercial
- ▶ Primary project is implementation of \$13-24M Mixed Waste Processing Line
- ▶ Energy Production from Organics- \$7-10 M with potential GHG credits and revenue
- ▶ Alternative collection processes
  - ▶ Mix-Use Trucks
  - ▶ Every other week collection (of black carts)
- ▶ Incineration vs landfill (for net zero waste)
- ▶ Increased outreach and mandatory ordinances \$1-10M
- ▶ Renewal of HHW Program
- ▶ Other activities include
  - ▶ Fleet conversion to CNG with fueling station-\$6M but with positive ROI
  - ▶ LED lighting conversion and battery program-\$1-2M with positive ROI
  - ▶ Glass contamination removal-\$5M

# How Atherton's Costs are Established



Commodity Revenue fluctuations smoothed by a 10% rate stabilization fund  
 Costs are allocated based on Recology's Annual Audit Results-6.7% for Atherton



# Atherton Rates

- ▶ Initially established based on recovery of total allocated cost
- ▶ Cart suite costs tied to solid waste cart (black bin) size
- ▶ Fixed fee per address (established 12/15)
- ▶ Excess Green cart processing approaching cost recovery
- ▶ Use of surplus fees as rate stabilization fund HHW and to avoid rate hikes associated with increased waste processing and disposal costs and CPI index hikes



# Decisions to be made today and tomorrow

- ▶ Affirm that Atherton wishes to participate in the SBWMA-led discussions on extension of the Franchise Agreement.
  - ▶ Consider compulsory vs “a la carte” services
  - ▶ Suggest any key metrics or additional services tailored for Atherton
  - ▶ Discuss tailoring of our franchise agreement
  - ▶ Consider future participation in HHW program following 2016
- ▶ Affirm if Atherton wishes to remain part of JPA
- ▶ Consider if Atherton wishes to issue it’s own RFP
  - ▶ SBWMA staff would support
  - ▶ Process similar to what two other jurisdictions did initially





# Continuing with the Group Process

- ▶ Atherton can opt out later so there is little to no risk in participation
  - ▶ Key focus will be to designate services and activities not pertinent to Atherton rate payers as a la carte. Suggested items to consider:
    - ▶ Commercial outreach
    - ▶ School busing (note public schools are not part of our franchise agreement)
    - ▶ EoW and Mixed Use Vehicles
    - ▶ Mixed Waste Processing Line(?)
    - ▶ Extensive Auditing of Recology Operation (which as few if any findings)
  - ▶ Majority of work on this will be done by TAC (George)
  - ▶ Recology will provide suggested Franchise Agreement changes and savings
  - ▶ Information gained will be helpful if we do our own RFP



# Should Atherton remain in JPA

- ▶ If Atherton would consider exiting, Atherton would need to repay it's portion of the remaining bond obligation.
  - ▶ Our portion is 3.4% or \$1,658,520
  - ▶ Total Bond obligation now stands at \$48,780,000
  - ▶ 4/5 of Board need to approve exit
- ▶ Leaving JPA places obligation to meet state educational requirements on us
- ▶ Town would still be able to use San Carlos facility but pay prevailing tip fees as any independent hauler (same as being paid today) unless hauler has existing arrangement (as does Recology for some South Bay sites)



# Should we do our own RFP

- This does not impact our participation in JPA nor does it restricts our rights of access to the Processing operations and other programs or dump site access
- State mandated education would still be provided by SBWMA
- Town would have contract management responsibility regarding auditing of vendor as/if required (probably contracted out)
- Doing our own RFP does not exclude Atherton from being included in the Group renewal bid
- Need to initiate process within this year in order to have time to consider and decide directions and negotiate (as/if necessary)



# Recommendation

- Move forward with SBWMA process to assess extension
- Press for opt-out rights for services clearly not applicable to Atherton
- Decide on services we potentially would like added to our scope
- Plan to issue our own RFP if non-applicable services are compulsory with SBWMA base RFP
- Evaluate new costs of new HHW contract, but assess value given low usage and potentially discontinue
  - Costs are expected to increase (potentially double)
  - Rate payers are paying “double” for service today as the County’s Tower Road HHW facility, is in our taxes and our pick up and disposal service is a direct cost

## ORDINANCE XXX

### AN ORDINANCE OF THE CITY COUNCIL OF THE TOWN OF ATHERTON RESCINDING THE RATES SET FORTH IN ORDINANCE 610 AND SETTING THE RATES FOR SOLID WASTE/RECYCLING COLLECTION SERVICES

WHEREAS, the Town of Atherton ("Town") has provided a franchise to Recology San Mateo County ("Franchisee") allowing for and governing the collection of refuse, recyclable material and plant material within the Town of Atherton's limits and the Town has approved rates, on November 18, 2015 by Ordinance XXX, that Franchisee may charge for these solid waste/recycling collection services; and

WHEREAS, pursuant to the Uniform Franchise Agreement for Collection Services ("Solid Waste/Recycling Collection Agreement") between Franchisee and the Town, the Town is required to adopt solid waste/recycling collection rates that produce revenues sufficient to provide payment to Franchisee in accordance with the amount due under the Solid Waste/Recycling Collection Agreement; and

WHEREAS, a the City Council directed staff to prepare an adjustment to organic rates organic rates to reflect a cost model closer to full cost recovery; adjustment to garbage cart rate sizes 64 and 96 gallons; and establishing a minimum \$25 monthly flat fee on residential properties;

WHEREAS, the City Council has complied with the fee adjustment provisions of Proposition 218, including the mailing of notices regarding a public hearing to consider a proposed ordinance to adopt an increase in the green cart rates; and

WHEREAS, the Town has identified the parcels upon which the increased green cart collection, decreased garbage cart sizes 64 and 96 gallon rates, and minimum \$25 monthly flat fee rate will be imposed, calculated the amount of the rates, and mailed notice to the refuse service billing address for all parcels in the Town of Atherton, wherein the Town provided written notice of the proposed rates, the basis for the calculation, the reason for the rates and the date, time and location of a public hearing not less than 45 days after sending the notice; and

WHEREAS, the Town further provided published and posted notice of the foregoing; held the duly noticed public hearing and considered any and all protests; and

WHEREAS, written protests against increased green cart collection, decreased garbage cart sizes 64 and 96 gallon rates, and minimum \$25 monthly flat fee rate were not presented by a majority of owners or tenants of the identified parcels within the 45 day period;

NOW, THEREFORE, THE CITY COUNCIL OF THE TOWN OF ATHERTON DOES HEREBY ORDAIN AS FOLLOWS:

**SECTION 1.** In accordance with Article XIII D, Section 6(b), of the California Constitution, the City Council makes the following findings:

A. The revenues derived from the increased green waste collection rates, the reduction in garbage carts rates for sizes 64 and 96 gallons, and establishing a minimum service flat fee do not exceed the funds required to provide refuse services pursuant to the Solid Waste/Recycling Collection Agreement..

B. The revenues derived from the increased green waste collection rates, the reduction in garbage carts rates for sizes 64 and 96 gallons, and establishing a minimum service flat fee will not be used for any other purpose other than pursuant to Solid Waste/Recycling Collection Agreement.

C. The revenues derived from the increased green waste collection rates, the reduction in garbage carts rates for sizes 64 and 96 gallons, and establishing a minimum service flat fee do not exceed the proportional cost of the service to each parcel.

D. The only adjustments are to residential garbage and organic rates This includes a minimum \$25 monthly flat fee on residential properties. The remaining rates remain the same as approved in Ordinance 610 and incorporated herein.

E. The solid waste/recycling collection services are presently available.

**SECTION 2.** Beginning on the effective date of this Ordinance, the green cart collection rates, 64 and 96 garbage cart rates, and minimum monthly flat fee will be established as listed below. The rate schedule includes a fixed rate for each container of refuse, with no additional charge for recycled materials or green waste collection.

**Residential Rates:**

<b>Black Garbage Container</b>	<b>Rates</b>	<b>Proposed New Rate</b>
20 gallon	\$27.00	\$27.00
32 gallon	\$55.00	\$55.00
64 gallon	\$110.00	\$102
96 gallon	\$164.00	\$152

**Minimum Monthly Flat Fee:**

<b>Cart Size</b>	<b>Current Rate</b>	<b>Minimum Monthly Flat Fee</b>	<b>PLUS Standard Cart rate</b>	<b>Total Current/NEW Rate</b>
<b>20 Gallon</b>	\$27	\$25	\$2	\$27
<b>32 Gallon</b>	\$55	\$25	\$30	\$55
<b>64 Gallon</b>	\$102	\$25	\$77	\$102
<b>96 Gallon</b>	\$152	\$25	\$127	\$152

## Commercial Rates:

Refuse Commercial Bins	Current Rate	Current Organic Rates
1-96 Gallon	\$194	\$165
1-1 Yard	\$210	\$179
1-2 Yard	\$420	\$357
1-3 Yard	\$580	\$493
1-4 Yard	\$650	\$553
1-6 Yard	\$870	\$740
1-8 Yard	\$1,160	\$986

## OTHER SERVICES COST SCHEDULE

<b>Backyard Collection Service Distance Costs for Single-Family Dwellings</b>				
	<b>One (1) Solid Waste Cart</b>	<b>Two (2) Solid Waste Carts</b>	<b>Three (3) Solid Waste Carts</b>	<b>Four (4) Solid Waste Carts</b>
<b>Distance from Curbside</b>	<b>Base monthly Solid Waste Rate plus</b>	<b>Base monthly Solid Waste Rate plus</b>	<b>Base monthly Solid Waste Rate plus</b>	<b>Base monthly Solid Waste Rate plus</b>
0-100 feet	\$21.00	\$31.72	\$60.44	\$89.16
101-150 feet	\$24.00	\$34.72	\$63.44	\$92.16
151 – 200 feet	\$27.00	\$37.72	\$66.44	\$95.16
201 – 250 feet	\$30.00	\$40.72	\$69.44	\$98.16
251 – 300 feet	\$33.00	\$43.72	\$72.44	\$101.16
301 feet or more	\$36.00	\$46.72	\$75.44	\$104.16

Unscheduled Service Category	Cost	Description of Cost
Distance Charge for Commercial Accounts	A – 10% of base monthly Rate B – 25% of base monthly Rate	A – 51 to 100 feet from access by Contractor's collection vehicle B – 101 feet or more from access by Contractor's collection vehicle
Extra Pick-up Cost for Commercial Customers	25% of the base monthly Rate for the size of Container Collected once per week	Per Collection event
Single-Family Return Trip Cost (i.e., request to provide Collection service after the regularly scheduled Collection day)	\$15.00	Per Collection event
Additional Targeted Recyclable Materials or Organic Materials Cart Rental or Purchase (in addition to the two Organic Material carts and one Recyclable Materials cart)	A – <b>\$15.00</b> each for 1 or 2 additional cans <b>\$20.00</b> each for 3 or more additional cans B - \$3.00 C – \$63.00 D – \$69.00	A – monthly rental fee (any size Cart) for Organic Materials Carts B – monthly rental fee (any size Cart) for Targeted Recyclable Materials Carts C – Customer purchase of a 64 gallon Cart D – Customer purchase of a 96 gallon Cart
Fee for Service On-Call Bulky Item Collection Service	\$81.55 per the 3 <sup>rd</sup> occurrence Residents receive first 2 for free	Per event (after the 2 <sup>nd</sup> event)
Overage Fee	100% of the base monthly Rate	Per Collection event
Overage Bags Cost	50% of the base monthly Rate or \$8.00 minimum	Per bag
Container Cleaning Fee	A – \$50.00 B – \$85.00	A – per Cart B – per Bin or Drop-Box



Unscheduled Service Category	Cost	Description of Cost
Dirty Cart Replacement Cost	A – \$65.00	A – per 32 gallon Cart
	B – \$75.00	B – per 64 gallon Cart
	C – \$85.00	C – per 96 gallon Cart

**SECTION 3.** The City Council hereby declares that it would have passed this Ordinance, sentence by sentence, paragraph by paragraph, and section by section, and does hereby declare that any provisions in this Ordinance are severable and, if for any reason any sentence, paragraph or section of this Ordinance shall be held invalid, such decision shall not effect the validity of the remaining parts of this Ordinance.

**SECTION 4.** This Ordinance was approved by a 2/3 vote of the City Council pursuant to Health & Safety Code section 5471.

**SECTION 5.** This Ordinance shall take effect thirty (30) days after adoption as provided by Government Code section 36937.

**SECTION 6.** This Ordinance shall be published once fifteen (15) days after its passage in a newspaper of general circulation, printed, published and circulated in the City in accordance with Government Code section 36933.

\* \* \* \* \*

Introduced at a regular meeting of the City Council held on November 18, 2015, and passed and adopted by the City Council of the Town of Atherton on the 18<sup>th</sup> day of November, 2015 by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:  
 NOES: COUNCIL MEMBERS:  
 ABSENT: COUNCIL MEMBERS:  
 ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
 Rick DeGolia, Mayor  
 Town of Atherton

ATTEST:

\_\_\_\_\_  
 Theresa DellaSanta  
 City Clerk

APPROVED AS TO FORM:

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William B. Conners  
City Attorney



# COLLECTION AND RECYCLING PROGRAM SUPPORT AND COMPLIANCE



## STAFF REPORT

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To: SBWMA Board Members  
From: Kevin McCarthy, Executive Director  
Date: November 19, 2015 Board of Directors Meeting  
Subject: Discussion on Draft Plan and Recommended Process for Supporting Member Agencies with Future Franchise Agreement Decisions

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### Recommendation

This is a discussion only item and no formal action is requested of the Board.

The attached Plan and Recommended Process (see **Attachment A**) for supporting Member Agencies with negotiating a potential Franchise Agreement extension with Recology San Mateo County (Recology) was approved by the TAC at its October 8, 2015 meeting.

To be clear, this is a "process and approach" discussion at this point and not a recommendation whether or not to extend the current Member Agency Franchise Agreements with Recology.

### Analysis

Each of the Member Agencies has a Franchise Agreement with Recology San Mateo County which started on January 1, 2011 and ends at midnight on December 31, 2020. The Franchise Agreements state:

- **SECTION 3.02 TERM**

The Term of this Agreement shall begin on the Effective Date and shall end at midnight on December 31, 2020, unless earlier terminated, or extended as provided in Section 3.03. Contractor's obligation to Collect Solid Waste, Targeted Recyclable Materials and Organic Materials shall begin on January 1, 2011 at 12:01 a.m. and shall continue for the remainder of the Term.

- **SECTION 3.03 EXTENSION OF TERM**

During calendar year 2017, the Parties shall meet and confer on the possible extension of the Term.

The contract extension decision period was set for a defined period so as to allow sufficient time if needed to conduct a competitive procurement process if no contract extension was granted. Given the size and complexity of the service area it was determined that a three-year period (i.e., 2018-2020) was needed to complete a competitive procurement process and transition to a new service provider if appropriate.

The Plan addresses how the JPA staff can best support the Member Agencies with this important decision individually and as a whole service area wide. The attached Plan recognizes that each Member Agency will individually decide whether to extend their Franchise Agreement with Recology and will decide what the final scope of services will be. The prior direction from the Board and past practice has been for the JPA to help facilitate and manage the process for selection of a franchised collection services provider, negotiate franchise agreement contract terms, and to provide overall contract administration support. Staff is committed to continue providing this support if tasked to do so.

The Recology Franchise Agreement extension process outlined in this document does not include the potential extension to the Shoreway Operations Agreement which expires on December 31, 2020. The term extension provisions of that Agreement allow the JPA unilateral discretion to extend the Agreement for up to three additional one-year periods on the current terms and conditions. Such current terms and conditions are very financially beneficial to the JPA as has been discussed at several Board meetings.

The active engagement and collaboration between JPA staff, Member Agency staff (including the TAC), Recology and the SBWMA Board will be required to develop an effective plan and process that can be executed in a timely manner. By meeting the Plan milestones in 2016 this will allow for sufficient time for Member Agencies to schedule their governing body action early enough in 2017 to meet their franchise agreement deadline for action on a franchise agreement extension or not.

### **Background**

On September 24, 2015, an adhoc subcommittee of the TAC met with SBWMA staff Kevin McCarthy and Cliff Feldman to discuss a revised draft of the Plan which was originally shared at the July 9<sup>th</sup> TAC meeting. This adhoc committee consisted of the TAC Chair Afshin Oskoui, City of Belmont; TAC Vice Chair George Rodericks, Town of Atherton; City of San Mateo City Manager Larry Patterson; Roxanne Murray, City of San Mateo; and Jeff Moneda, Public Works Director, City of Foster City. The final version of the document included as **Attachment A** reflects feedback and discussion from the September 24<sup>th</sup> meeting. No changes were made to the document as approved at the October 8<sup>th</sup> TAC meeting.

On June 25, 2015 the Board adopted the 2015 Long Range Plan which includes recommendations that may affect the future scope of the Franchise Agreements. On the same date, the Board adopted the FY1516 budget which provides funding for two collection related pilots, use of co-collection vehicles and an every other week garbage collection pilot.

This item was referred to the TAC by the Board of Directors at its May 28, 2015 meeting. The Executive Committee requested that the TAC review a draft Plan and develop a final recommendation for consideration by the Board. A draft Plan was presented at the July 9<sup>th</sup> TAC meeting and comments and discussion ensued regarding the Plan.

### **Fiscal Impact**

There is no specific fiscal impact associated with this item. However, future recommendations by the SBWMA Board and Member Agency decisions regarding an extension to their existing Franchise Agreement(s) will ultimately impact the solid waste collection rates charged to residential and commercial customers.

#### **Attachment:**

Attachment A –Plan and Recommended Process for Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with Recology San Mateo County

**Plan and Recommended Process for  
Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with  
Recology San Mateo County**

**Background:**

Each of the Member Agencies has a franchise agreement with Recology San Mateo County which started on January 1, 2011 and ends at midnight on December 31, 2020. The franchise agreements include the following provisions regarding the term of the Agreement and an extension:

- **SECTION 3.02 TERM**

The Term of this Agreement shall begin on the Effective Date and shall end at midnight on December 31, 2020, unless earlier terminated, or extended as provided in Section 3.03. Contractor's obligation to Collect Solid Waste, Targeted Recyclable Materials and Organic Materials shall begin on January 1, 2011 at 12:01 a.m. and shall continue for the remainder of the Term.

- **SECTION 3.03 EXTENSION OF TERM**

During calendar year 2017, the Parties shall meet and confer on the possible extension of the Term.

The contract extension decision period prescribed in Section 3.03 was set for a defined period to allow sufficient time to conduct a competitive procurement process if no contract extension was granted. It was determined that a three-year period (i.e., 2018-2020) was needed to complete a competitive procurement process and transition to a new service provider, if applicable, given the scope of services, and size and complexity of the service area.

**Key Assumptions:**

- All Member Agencies, with the support and assistance of the JPA, will enter into negotiations with Recology for a potential extension of their franchise agreement beyond 2020. The JPA staff will take the lead in negotiating and drafting the uniform franchise agreement amendments that apply across all Member Agencies, including both minor/administrative changes and any major changes resulting from contract negotiations. Further, upon request, the JPA staff can assist individual Member Agencies with negotiating unique franchise agreement changes (e.g., if a Member Agency has a specific change in Recology's scope of services unique to their community).
- The JPA Board will appoint an adhoc committee of TAC or designated Member Agency staff to review the franchise agreement amendments negotiated by JPA staff prior to such amendments being brought forward to the full Board for consideration. The Board will consider approval of the uniform franchise agreement changes and make a recommendation to forward the uniform Franchise Agreements to the individual Member Agency governing bodies who ultimately approve any changes to their individual franchise agreements, including any unique scope items requested by the Member Agency.
- The JPA staff will take the lead in preparing rate revenue requirement projections, including different scenarios reflective of potential changes to the franchise agreements. JPA staff's work will include building a baseline proforma model that identifies Recology's current compensation vs. their actual operating costs (as provided by Recology). The model will also cover other factors such as pass-through costs (i.e., mainly processing and disposal costs). Future pass-through costs may be affected by changes to contracts with third party vendors (e.g., Republic Ox Mountain landfill), Shoreway capital improvement scenarios (per the Long Range Plan), etc. This baseline model will be provided to the Board prior to the start of formal contract negotiations.
- Also prior to the start of negotiations, JPA staff with input from the TAC will prepare a high level analysis of Recology's performance in meeting the franchise agreement performance standards and meeting the original goals of the contractor selection process that resulted in the selection of Recology as the service provider. As part of the performance review, Recology will be requested to prepare its own written self-review.
- If applicable, the JPA staff will take the lead in developing and managing a collection services contractor RFP and selection process if directed by the Board. Such a process would be concluded in time to ensure franchised collection service is provided uninterrupted after expiration of the current franchise agreements on December 31, 2020.
- The Recology Franchise Agreement extension process outlined in this document does not include the potential extension to the Shoreway Operations Agreement which expires on December 31, 2020. The term extension

provisions of that Agreement allow the JPA unilateral discretion to extend the Agreement for up to three additional one-year periods on the current terms and conditions. Such current terms and conditions are very financially beneficial to the JPA as has been discussed at several Board meetings.

Timeline:

- Current – Spring 2016 Member Agency governing bodies decide whether to be part of joint effort to negotiate a potential franchise agreement extension with Recology. This timeline allows for any Member Agencies that want to conduct any formal community outreach, if so desired, regarding this decision.
- Fall 2015 – Spring 2016 Complete analysis of Recology actual collection costs including building a baseline financial model to use in future projection of collection costs. This work will include identifying any significant variances and how such variances may affect future collection costs.
- Jan. 2016 – June 2016 Analysis of and recommendations for any changes to the scope of collection services based on the results of the two collection pilots per the adopted 2015 Long Range Plan and any cost savings suggestions developed by JPA staff in collaboration with Recology.
- March 2016 Recology completes and submits to JPA and Member Agencies a self-review in meeting the franchise agreement performance standards and meeting the original goals of the contractor selection process. This self-review will include suggestions for any cost savings measures and/or future improvements to the current collection services noting that not all of the Long Range Plan collection pilots will be completed yet.
- April 2016 JPA staff completes and submits to the Board its high level review of Recology's performance in meeting the franchise agreement standards and meeting the original goals of the contractor selection process.
- Spring 2016 Board appoints an adhoc committee of TAC or designated Member Agency staff to review franchise agreement amendments negotiated by JPA staff prior to such amendments being brought forward to full Board for consideration This Board action can happen as early as it's clear that a majority of the Member Agencies are onboard with pursuing contract extension talks with Recology.
- Spring – Fall 2016 Contract negotiations take place between the JPA staff and Recology representatives. The final step of this process would be for Recology to submit an overall technical and cost proposal for the entire service area reflective of the agreed upon changes per the negotiations. Once the proposal is reviewed and agreed upon then a final document can be brought to the Board for consideration. (This does not preclude Member Agencies from individually negotiating aspects of their Franchise Agreements separately with Recology.)
- Fall 2016 – Dec. 2016 Completion of future collection cost projections based on negotiated changes to Franchise Agreement scope of services and other factors such as pass through costs.
- Completion of revisions to franchise agreements based on negotiated changes with Recology.
- Jan. / February 2017 Board considers and adopts Recology proposal for extension of current franchise agreements. This approval would be in the form of a recommendation to Member Agencies to adopt the Recology proposal and new, revised and amended franchise agreements.
- March – Dec. 2017 Individual Member Agencies consider approval of contract extension with Recology.