



Item No. 15 Town of Atherton

CITY COUNCIL STAFF REPORT – PUBLIC HEARING

**TO: HONORABLE MAYOR AND CITY COUNCIL
GEORGE RODERICKS, CITY MANAGER**

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: MARCH 15, 2017

**SUBJECT: CONDUCT THE PUBLIC HEARING ON RECOMMENDED DECREASE
IN RESIDENTIAL GARBAGE CART RATES IN THE TOWN OF
ATHERTON; AND, IF APPROPRIATE, INTRODUCE THE PROPOSED
AMENDMENT TO THE ORDINANCE FOR FIRST READING**

RECOMMENDATION

- 1) Conduct the Public Hearing regarding the proposed decrease in residential garbage cart rates; and
- 2) If appropriate, introduce the attached Ordinance for first reading, an Ordinance of the City Council of the Town of Atherton Amending Refuse Collection Rates.

BACKGROUND

The Town of Atherton is part of the SBWMA, a joint powers authority of twelve public agencies that provides oversight for the collection, process and disposal of refuse by Recology (the refuse collection service provider). The City Council sets local collection rates based on the revenue requirements for contractor compensation set by the SBWMA Board of Directors.

The Town of Atherton maintains a Solid Waste Subcommittee (Council Member Widmer and Council Member Wiest) that reviews and discusses matters of the SBWMA. The SBWMA Refuse Subcommittee met during the month of January to discuss the possible upcoming RFP process for refuse hauling franchise agreement and rate reductions for garbage cart rates.

As was approved by the Council in February, the Town will use the Refuse Rate Stabilization Fund to engage a consultant, if needed, to assist with the preparation of an independent Request for Proposal if the Town opts to conduct an independent process. That determination will be made later this year. However, the Subcommittee also recommends that the Council consider use of the Refuse Rate Stabilization Fund *for a reduction in residential garbage cart rates.*

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ANALYSIS

The Town currently has \$1,179,053 in its Rate Stabilization Fund. This includes a surplus balance of \$279,189 that was remitted to the Town for the 2015 rate calendar year. These funds may be used to offset refuse program costs. One such example of such use is if there are shortfalls in revenue rate collections, to meet refuse compensation collection costs, the Town may use the Rate Stabilization costs to offset any shortfall. The next collection rate impact projections for calendar year 2016 will be released in May 2017. It is anticipated that the Town will again have a surplus. The Town will request a refund of this surplus fund balance in July into the Town's Rate Stabilization Fund.

Member agencies are obligated to set rates to generate the revenue needed to offset the contractor's (Recology) compensation, the pass-through cost components of disposal expense, and agency fees. Agencies that set rates lower than needed and experience a shortfall in revenue are liable for future interest rate charges from Recology.

Staff posted a notice of a Public Hearing of the proposed decrease to the residential garbage rates 10 days in advance of this meeting.

The Subcommittee recommends that with the present balance of the Rate Stabilization Fund, it is appropriate to reduce the residential garbage cart rates. The recommendation is to decrease the respective fixed cart rates for the black garbage container, which includes no additional charge for recycled materials or green waste collection. The proposal calls for a 10 percent (10%) reduction in the current rates. These adjustments are reflected in the attached ordinance.

Based on the present rate structures, the following is the calculation for Residential Garbage Cart Rates:

Cart Size	Current Rate	Proposed New Rate
20 Gallon	\$27	\$25
32 Gallon	\$55	\$50
64 Gallon	\$102	\$93
96 Gallon	\$152	\$138

There is a minimum \$25 monthly flat fee on residential properties regardless of collections size for recycling, organics, waste for a property that uses the services or not (due to vacations/sale of a house/construction etc.). The current rate structure includes a fixed rate for each gallon of refuse, with no additional charge for recycled materials or green waste collection. The proposed new rates would look as follows:

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Cart Size	Current Rate	Flat Fee	PLUS Standard Cart rate	Total Current/NEW Rate
20 Gallon	\$25	\$25		\$25
32 Gallon	\$50	\$25	\$25	\$50
64 Gallon	\$93	\$25	\$68	\$93
96 Gallon	\$138	\$25	\$113	\$138

The Town's rate structure allows a resident to obtain additional green carts. These rate structures will remain the same for the 3rd and 4th carts and carts 5 and above.

The total number of 20 gallon carts are 461, 32 gallon carts are 891, 64 gallon carts 611 and 96 gallon carts are 390. If the number of refuse carts remain the same, the proposed decrease of rates reduces the revenue per month to the respective carts by \$922, \$4,455, \$5,499, and \$5,460.

Below is a summary of the refuse Subcommittee's current proposals:

- Residential customer accounts will see a decrease in refuse garbage rates based on the above respective carts of 10%.

The Town makes the following findings:

- A. The revenues derived from the decrease in residential garbage collection rates, do not exceed the funds required to provide refuse services pursuant to the Solid Waste/Recycling Collection Agreement.
- B. The revenues derived from the decrease in residential garbage collection rates will not be used for any other purpose other than pursuant to Solid Waste/Recycling Collection Agreement.

Attached is an Ordinance adjusting only the Residential Refuse Garbage Rates.

POLICY FOCUS

The setting of refuse collection rates is a matter of policy discussion for the City Council. Establishing rates that reflect full cost recovery is consistent with the fee adjustment provisions of 10 day notice for public hearings to consider a proposed amendment to the ordinance.

FISCAL IMPACT

Assuming a static number of carts, the recommended fee change per residential garbage cart use includes a *decrease* of \$16,336 per month or approximately \$196,032 per year. As mentioned in the staff report, the Town has a Rate Stabilization Surplus Fund balance of \$1,179,053 and is anticipated to receive a surplus for the 2016 rate year. The Town is well within the parameters to use the rate stabilization surplus for any true up of if there arises a deficiency of garbage rate revenue to operations expenses.

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The Subcommittee believes that the recent changes in rate structure reflect a more accurate cost recovery model. Further, that with the pending franchise renewal, the Town's residents will be in a better position to whether any true-up that might occur.

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 Protection District, service provides (water, power, and sewer), and regional elected officials.

ATTACHMENTS

Ordinance

ORDINANCE XXX

AN ORDINANCE OF THE CITY COUNCIL OF THE TOWN OF ATHERTON AMENDING THE RATES SET FORTH IN ORDINANCE 621 TO DECREASE THE RESIDENTIAL GARBAGE RATES

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

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, the Town has reviewed and approved rates on November 16, 2016 by Ordinance 621, that Franchisee may charge for these solid waste/recycling collection services; and

WHEREAS, the City Council directed staff to prepare an adjustment to residential garbage rates to reflect a cost model closer to full cost recovery; and

WHEREAS, the Town has posted a public hearing notice of the proposed rate decreases, including the date, time and location of a public hearing not less than 10 days before said public hearing; and

WHEREAS, the Town held the duly noticed public hearing and considered any and all comments;

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 decrease in residential garbage collection rates do not exceed the funds required to provide refuse services pursuant to the Solid Waste/Recycling Collection Agreement.
- B. The revenues derived from the decrease in residential garbage collection rates will not be used for any other purpose other than pursuant to Solid Waste/Recycling Collection Agreement
- C. Review of cost model fairness to move closer to full cost recovery.
- D. The only adjustments are to residential garbage cart rates.
- E. The solid waste/recycling collection services are presently available.

SECTION 2. Beginning on the effective date of this Ordinance, the residential garbage cart collection rates are amended as listed below.

Residential Rates:

Black Garbage Container	Rates
20 gallon	\$25.00
32 gallon	\$50.00
64 gallon	\$93.00
96 gallon	\$138.00

Minimum Monthly Flat Fee:

Cart Size	Current Rate	Minimum Monthly Flat Fee	PLUS Standard Cart rate	Total Current Rate
20 Gallon	\$25	\$25		\$25
32 Gallon	\$50	\$25	\$25	\$50
64 Gallon	\$93	\$25	\$68	\$93
96 Gallon	\$138	\$25	\$113	\$138

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 affect 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.

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Introduced at a regular meeting of the City Council held on March 15, 2017, and passed and adopted by the City Council of the Town of Atherton on the 15th day of April, 2017 by the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

COUNCIL MEMBERS:
COUNCIL MEMBERS:
COUNCIL MEMBERS:
COUNCIL MEMBERS:

Michael Lempres, Mayor
Town of Atherton

ATTEST:

Theresa DellaSanta
City Clerk

APPROVED AS TO FORM:

William B. Conners
City Attorney