



Item No. 15 Town of Atherton

CITY COUNCIL STAFF REPORT – REGULAR AGENDA

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

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: OCTOBER 16, 2013

**SUBJECT: SOUTH BAY WASTE MANAGEMENT AUTHORITY
REFUSE RATES DISCUSSION AND DIRECTION**

RECOMMENDATION

Review and Discuss; and provide staff with direction.

BACKGROUND

In 2009, as a member of the SBWMA, the Town entered into a 10-year exclusive franchise with Recology for the collection, recycling and disposal of materials within the Town limits. The franchise expires in 2019 at which time the SBWMA and member agencies will re-bid the franchise (actual rebidding will take place prior to the expiration of the contract). The current franchise agreement has indexed cost caps set for the contractor to control cost escalation.

The City Council sets local collection rates based on revenue requirements for contractor compensation set by the SBWMA Board of Directors. A member of the City Council sits on the SBWMA Board of Directors and the City Manager sits on the SBWMA Technical Advisory Committee.

ANALYSIS

The Town's Atherton Solid Waste Committee (Council Member Widmer and Vice Mayor Wiest) met over the last couple of months to discuss the refuse rate setting process. The Committee reviewed data provided by the South Bay Waste Management Authority (SBWMA) and discussed:

- Refuse Service Contractor Revenue Requirements
- Rate Stabilization Fund Balance
- Rate Projections

- Franchise Term and Contract Discussions

It was determined that when the Town set rates for 2012, they were set with the expectation that the Rate Stabilization Fund would smooth out the need for any future rate increases over a period of years. After reviewing the contractor revenue requirements for 2014, revenue projections for the remainder of the franchise term, and the fluctuations in the rate stabilization fund, the Committee agreed that a rate adjustment for garage and recycling collection was not needed at this time. However, the Committee does recommend that the Council address the cost-alignment for green cart collections.

The Town's rate structure allows a resident to obtain a 3rd and 4th green cart at \$10 each and for the 5th cart or above the rate is \$15 each. Actual collection costs for each cart is approximately \$19. The Committee recommends that the cost model be moved closer to a true-cost recovery model by raising the cost for carts as follows:

# of Carts	Current Rate	New Rate
Carts 3 and 4	\$10 each	\$11 each
Carts 5 and above	\$15 each	\$17 each

The Committee will monitor the Town's rate structure against the costs of collection and continue to implement a strategy to use the Rate Stabilization Fund to mitigate future rate adjustments. It is anticipated, that at some point in the next few years, there will need to be a rate adjustment to keep pace with cost increases as the balance in the Rate Stabilization Fund decreases. The Committee anticipates that there will be a "true-up" of costs at the conclusion of the franchise term (with or without a different contractor) that will require an adjustment of rates.

The proposed increase in the green cart rate will require a public process under Proposition 218. With Council concurrence, staff will coordinate the necessary public process to adjust the green cart rates.

FISCAL IMPACT

None at this time.