



Staff Report

DISCUSSION AND DIRECTION CONCERNING THE SOLID WASTE MANAGEMENT PROGRAM

Honorable Mayor and Council Members:

Summary

This report provides an overview of the scope and issues solid waste management services and infrastructure programs. It identifies organizational and funding issues in the program and seeks direction from Council to address these issues and to prepare the FY 06/07 budget.

Background

The City manages the solid waste program as a service with ongoing operating costs. The City is a part owner of the transfer station and recyclery through its membership in the South Bayside Waste Management Authority (SBWMA). SBWMA is responsible for the financial management of the facilities. The City contracts directly with an operator for the collection services. Allied Waste-San Mateo provides refuse, recyclable-material, and plant/organic-material collection services; operates the Shoreline transfer station, recyclable-material and plant-material processing; and operates landfill disposal services.

Solid waste services is a nearly \$4 million annual program provided to all residents and businesses. There are currently 6369 residential customers, 472 commercial customers and serves all public facilities including buildings, parks and streets. The contractor collects and disposes about 21,000 tons of garbage and collects and processes another 11,000 tons of recyclables with the City.

The management of the solid waste services is not solely a Public Works function. The City's Manager Office, Finance, and Parks Division of the Recreation and Parks Department all work on various aspects of the solid waste program. The City contracts directly with Allied Waste for garbage and recycling services. The City contracts indirectly for the transfer station/recycling operations and disposal services through SBWMA. The City also contracts directly for consultant support for the development of collection rates and receives other consultant services through SBWMA.

How are Collection Rates Set?

The City is responsible for setting the collection rates for the solid waste services. The process for setting collection rates is described in the franchise agreement and is based on a “utility approach”.

1. Expenses and revenues are projected based on actual results, trends, and management plans.
2. Profit is established on a 91% pre-tax operating ratio applied to reasonable and necessary expenses, net of certain “pass-through” expenses. Allowable pass-through expenses include disposal expenses, franchise fees, heavy vehicle impact fees, and the cost for street sweeping.

Procedurally, the contractor submits a rate application to the SBWMA. SBWMA contracts with an independent consultant to review the application. The SBWMA bases its recommendations on the consultant’s report and other information available to the jurisdictions, and presents its recommendations to the jurisdictions for consideration.

Prior to 1995, the jurisdictions increased rates uniformly each year based on the SBWMA’s recommendations. The jurisdictions in 1995 believed it would serve their best interest to revise the rate-setting process from a company-wide, to a jurisdiction-based, revenue requirement. This revision allows each jurisdiction to make decisions regarding service changes, rate structures, franchise fees, and waste diversion programs, realize any cost savings, and pay the costs of its new programs.

Belmont currently has a progressive collection rate that encourages customers to reduce solid waste and to recycle more material. The contractor bills the customer and the funds are put into a SBWMA balance account with the other JPA participants. The operating expenses are drawn from this balance account. The following summarizes what portion of the collection fees pay for their respective service:

Refuse Collection	43%
Refuse Disposal	19%
Recycling Collection and Processing	15%
Yard Waste/ Organic Collection and Processing	10%
Franchise Fee	10%
Refuse Vehicle Impact Fee	3%

It should be noted that these percentages would change when street sweeping is added to the collection bill.

Rate Increase History

The Council has approved three residential rate increases in the past six years. The rate increases were as follows:

2000:	5.2%
2003:	6.2%
2005 :	14%
2006:	9% (projected)
2007:	9% (projected)

Additional increases are needed to fully fund the City's commitments to Allied Waste and SBWMA. The deficit in the balancing account is \$473,000 as of January 1, 2006. The deficit is projected to increase to \$605,000 by December 31, 2006 if rates are not adjusted. Staff will be returning to City Council on May 23, 2006 to get direction on future rate increases.

Discussion

Staff is seeking Council direction on the following solid waste management issues:

Creation of Solid Waste Management Budget Service Center

The solid waster management program does not have a service center or performance measures in the City's budget. The staff time and consultant services spent on solid waste management related issues are currently subsidized by other enterprise funds and the General Fund. There is no current mechanism to track and recover the costs of these services to insure full cost recovery of this program.

A cost center will also allow for the City to contract directly for some consultant services that are currently provided through SBWMA. The City will be able to conduct independent audits of the management and operations of SBWMA and their operator to insure the proper collection fee is being proposed.

Street sweeping services is currently being paid for out of NPDES funds. The NPDES funds are needed to fund storm drain related improvements. The existing franchise agreement allows for the cost of street sweeping to be passed through the collection fees. The cost for the street sweeping program is approximately \$350,000 per year. The addition of street sweeping to the garbage rates is estimated to represent a 10% increase in collection fees.

Contractor Procurement

SBWMA is working on competitive procurements for the collection and operation contracts that expire on December 31, 2010. Staff will be working closely with the Council throughout this

process. SBWMA has approved a five-year procurement process with numerous tasks and milestones. SBWMA staff will be providing a presentation on the overall procurement process

and the tasks and milestones at the same evening as this item. SBWMA has established two sub-committees composed of City staff to work through contract, process, facility, and program questions so that these can be clearly defined in the contractor request for proposals.

Service Rate Increases

The balancing account for the solid waste collection as of January 1, 2006 is a deficit of \$473,000. It is projected the deficit will increase to \$605,000 by December 31, 2006 if rates are not adjusted. The deficit will also increase as the result of street sweeping being funded by collection fees. The street sweeping operating costs approximately \$350,000 per year.

General Plan/Vision Statement

No impact.

Fiscal Impact

There is no fiscal impact from this report.

Public Contact

The Council agenda was posted. The City Council Infrastructure Sub-committee reviewed and commented on the staff report.

Recommendation

Staff recommends City Council discuss and provide direction on establishing a new solid waste service center.

Alternatives

1. Take no action.
2. Refer back to staff for further information.

Attachments

- A. Cost & Revenues, Page 11, SBWMA Participant Briefing Document, 12/28/05
- B. Customer Rates, Page 12, SBWMA Participant Briefing Document, 12/28/05

Respectfully submitted,

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3. Collection Revenues

Allied recovers its costs by billing customers for service. Each Member Agency sets the rates that Allied charges the customers within its jurisdiction. Some Member Agencies collect all or a portion of the residential rates in the property tax bill, and then forward the revenue to Allied. Every year the SBWMA conducts a rate review to determine Allied's actual costs of providing services to the customers in each Member Agency, and the rate revenue required for Allied to make the guaranteed 9% profit.

4. Balancing Accounts

Member Agencies are not required to adjust customer rates every year, and may maintain a "balancing account" with Allied, which is a running total of the amount due to or due from Allied by the rate payers of that agency. Each balancing account must be paid in full when Allied's franchise agreement ends.

F. Customer Rates

Current Rates and Comparison to Other Bay Area Cities

Figure 3 summarizes the 2004 rates paid by residents and commercial businesses in the SBWMA jurisdictions and several other Bay Area communities. The SBWMA solid waste rates include solid waste, recyclables, and yard trimmings service for residents and solid waste and recycling service for commercial businesses. Note that comparing rates between communities is difficult due to varying rate structures, different programs, different city surcharges, and whether or not that community is near a landfill or must utilize a transfer station.

The "All City Average" is the average rate for all the cities surveyed, excluding the SBWMA Member Agencies. "The Bi-Weekly Average" is the average rate for all cities surveyed, excluding the SBWMA Member Agencies, that have their recyclables and yard waste (YW) collected every other week instead of weekly. The "SBWMA Average" rates are typical when compared to the average rates in other communities, both with and without bi-weekly recyclables and yard waste collection.

The rates charged in the different SBWMA Member Agencies vary from each other for the following reasons:

- Cost of service - some areas are more difficult to serve than others (e.g., hilly vs. flat)
- City fees - jurisdictions may add franchise fees and other fees to the solid waste rate
- Rate structure - The differential between different service levels (e.g. whether two 32 gallon cans cost twice as much as one 32 gallon can) is a matter of public policy and varies from jurisdiction to jurisdiction
- Balancing Account - As noted above, jurisdictions with higher rates may be choosing to temporarily maintain a positive balance while jurisdictions with lower rates may be choosing to temporarily maintain a negative balance

On average, customer rates in the SBWMA jurisdictions have increased 5% per year since 1997.

Customer Rates

Jurisdiction	Res. Single-Family			Commercial				Service Info		
	30-35Gal.	60-64Gal.	90-96Gal.	1YD Bin Ly/week	1YD Bin 3y/week	3YD Bin Ly/week	3YD Bin 3y/week	Rec. Freq.	YW Freq.	Sort
City of Alameda*	\$ 22.71	\$ 37.91	\$ 52.95	\$ 86.00	\$ 212.70	\$ 258.00	\$ 597.99	Weekly	Weekly	Single
City of Emeryville*	\$ 10.44	\$ 20.88	\$ 31.33	\$ 61.56	\$ 184.72	\$ 184.72	\$ 564.14	Weekly	Weekly	Single
City of San Leandro*	\$ 18.09	\$ 30.10	\$ 42.11	\$ 79.31	\$ 239.76	\$ 239.76	\$ 719.29	Bi-weekly	Weekly	Single
Oro Loma Sanitary District*	\$ 14.33	\$ 20.05	\$ 33.78	\$ 66.50	\$ 186.15	\$ 177.12	\$ 496.13	Bi-weekly	Weekly	Multiple
City of Millbrae	\$ 19.90	\$ 39.80	\$ 59.70	\$ 165.74	\$ 507.23	\$ 305.40	\$ 934.65	Weekly	Bi-weekly	Multiple
City of South San Francisco	\$ 19.47	\$ 42.84	\$ 67.17	\$ 118.69	\$ 356.07	\$ 266.97	\$ 800.90	Bi-weekly	Semi-monthly	Multiple
City of Morgan Hill	\$ 21.82	N/A	\$ 24.29	N/A	N/A	\$ 245.46	\$ 689.45	Bi-weekly	Weekly	Multiple
City of Cupertino	\$ 18.31	\$ 36.62	\$ 56.93	N/A	N/A	\$ 170.90	\$ 512.70	Weekly	Weekly	Single
City of Mountain View	\$ 15.00	\$ 30.00	\$ 45.00	\$ 67.80	\$ 230.65	\$ 203.35	\$ 637.75	Bi-weekly	Weekly	Single
City of Daly City	\$ 16.40	N/A	N/A	\$ 117.47	\$ 315.62	\$ 322.44	\$ 916.85	Bi-weekly	Semi-monthly	Multiple
Town of Atherton	\$ 23.68	\$ 47.36	\$ 70.30	\$ 99.00	\$ 297.00	\$ 297.00	\$ 891.00	Bi-weekly	Bi-weekly	Multiple
City of Belmont	\$ 16.05	\$ 32.83	\$ 49.82	\$ 76.95	\$ 237.69	\$ 230.85	\$ 718.20	Bi-weekly	Bi-weekly	Multiple
City of Burlingame	\$ 12.54	\$ 25.08	\$ 37.24	\$ 79.16	\$ 246.99	\$ 237.49	\$ 740.97	Bi-weekly	Bi-weekly	Multiple
City of East Palo Alto	\$ 25.13	\$ 50.26	\$ 77.10	\$ 154.19	\$ 359.03	\$ 325.77	\$ 830.66	Bi-weekly	Bi-weekly	Multiple
Fair Oaks	\$ 18.05	\$ 36.10	\$ 54.15	\$ 76.24	\$ 228.72	\$ 228.72	\$ 686.17	Bi-weekly	Bi-weekly	Multiple
City of Foster City	\$ 12.61	\$ 25.22	\$ 37.43	\$ 60.49	\$ 181.47	\$ 181.47	\$ 544.41	Bi-weekly	Bi-weekly	Multiple
Town of Hillsborough	\$ 21.71	\$ 43.42	\$ 64.48	\$ 68.95	\$ 206.86	\$ 206.86	\$ 620.59	Bi-weekly	Bi-weekly	Multiple
City of Menlo Park	\$ 12.74	\$ 38.03	\$ 45.15	\$ 55.77	\$ 174.01	\$ 167.32	\$ 545.24	Bi-weekly	Bi-weekly	Multiple
City of Redwood City	\$ 18.16	\$ 32.19	\$ 45.69	\$ 69.86	\$ 209.57	\$ 209.57	\$ 628.75	Bi-weekly	Bi-weekly	Multiple
City of San Carlos	\$ 15.07	\$ 32.07	\$ 47.61	\$ 66.96	\$ 208.92	\$ 208.88	\$ 626.75	Bi-weekly	Bi-weekly	Multiple
City of San Mateo	\$ 10.50	\$ 23.09	\$ 35.30	\$ 70.17	\$ 216.69	\$ 210.51	\$ 650.07	Bi-weekly	Bi-weekly	Multiple
West Bay Sanitary District	\$ 15.23	\$ 30.46	\$ 45.22	\$ 98.61	\$ 229.64	\$ 208.39	\$ 531.31	Bi-weekly	Bi-weekly	Multiple
City of Albany*	\$ 22.07	\$ 38.15	\$ 54.24	\$ 87.98	\$ 263.94	\$ 263.94	\$ 791.83	Weekly	Weekly	Single
City of Berkeley*	\$ 19.36	\$ 38.70	\$ 58.05	\$ 79.25	\$ 249.65	\$ 237.75	\$ 748.93	Weekly	Bi-weekly	Multiple
City of Dublin*	\$ 12.17	\$ 22.35	\$ 32.54	\$ 43.46	\$ 152.02	\$ 130.36	\$ 412.78	Weekly	Weekly	Single
City of Fremont	\$ 22.41	\$ 24.44	\$ 35.51	\$ 60.83	\$ 175.02	\$ 136.76	\$ 402.78	Weekly	Weekly	Single
City of Hayward*	\$ 16.47	\$ 29.40	\$ 42.30	\$ 67.93	\$ 189.58	\$ 179.96	\$ 502.23	Weekly	Weekly	Multiple
City of Livermore	\$ 12.12	\$ 26.66	\$ 44.24	\$ 56.97	\$ 177.75	\$ 170.91	\$ 544.56	Weekly	Weekly	Single
City of Newark	\$ 17.08	\$ 30.25	\$ 43.41	\$ 66.97	\$ 184.97	\$ 177.17	\$ 483.18	Weekly	Weekly	Multiple
City of Oakland*	\$ 21.58	\$ 47.03	\$ 72.47	\$ 113.40	\$ 360.90	\$ 297.31	\$ 937.14	Weekly	Weekly	Multiple
City of Piedmont*	\$ 20.19	N/A	N/A	\$ 113.01	\$ 311.37	\$ 339.04	\$ 934.11	Weekly	Weekly	Multiple
City of Pleasanton*	\$ 20.04	N/A	\$ 22.30	\$ 94.69	\$ 247.79	\$ 270.39	\$ 729.69	Weekly	Weekly	Dirty MRF
City of Union City	\$ 27.32	\$ 47.40	\$ 67.48	\$ 83.02	\$ 220.30	\$ 217.56	\$ 542.09	Weekly	Weekly	Single
City of Orinda	\$ 19.82	\$ 39.64	\$ 59.46	\$ 116.50	\$ 349.50	\$ 349.50	\$ 1,048.50	Weekly	Weekly	Single
City of Lafayette	\$ 22.76	\$ 39.13	\$ 58.50	\$ 100.06	\$ 300.18	\$ 300.18	\$ 900.54	Weekly	Weekly	Single
Town of Moraga	\$ 16.66	\$ 33.32	\$ 49.98	\$ 102.57	\$ 307.71	\$ 307.71	\$ 923.13	Weekly	Weekly	Single
City of Sunnyvale	\$ 20.58	\$ 29.37	\$ 29.37	\$ 94.76	\$ 268.47	\$ 199.88	\$ 583.82	Weekly	Weekly	Split-cart
City of Walnut Creek	\$ 12.38	\$ 24.76	\$ 37.14	\$ 54.00	\$ 162.00	\$ 162.00	\$ 486.00	Weekly	Weekly	Single
Town of Danville	\$ 15.90	\$ 31.80	\$ 47.70	\$ 109.65	\$ 328.95	\$ 328.95	\$ 986.85	Weekly	Weekly	Single
City of Biwabec	\$ 15.87	\$ 31.74	\$ 47.61	\$ 123.30	\$ 369.90	\$ 228.03	\$ 684.11	Weekly	Weekly	Multiple
CCCSWA-Unincorporated	\$ 15.90	\$ 31.80	\$ 47.70	\$ 101.41	\$ 304.23	\$ 304.23	\$ 912.69	Weekly	Weekly	Single
City of Campbell	\$ 18.05	\$ 32.11	\$ 46.16	N/A	N/A	\$ 192.89	\$ 484.88	Weekly	Weekly	Multiple
Town of Los Gatos	\$ 15.75	\$ 33.07	\$ 50.39	N/A	N/A	\$ 220.79	\$ 560.52	Weekly	Weekly	Multiple
City of Monte Sereno	\$ 20.76	\$ 41.52	\$ 62.28	N/A	N/A	\$ 224.19	\$ 590.59	Weekly	Weekly	Multiple
City of Saratoga	\$ 17.93	\$ 35.87	\$ 53.80	N/A	N/A	\$ 245.23	\$ 645.93	Weekly	Weekly	Multiple
City of Milpitas	N/A	N/A	\$ 24.95	\$ 66.48	\$ 158.77	\$ 144.28	\$ 403.74	Weekly	Weekly	Multiple
City of Belvedere	\$ 26.73	N/A	\$ 67.43	\$ 132.72	\$ 365.85	N/A	N/A	Weekly	Bi-weekly	Multiple
City of Corte Madera	\$ 22.08	\$ 44.29	\$ 66.47	\$ 103.48	\$ 278.86	N/A	N/A	Weekly	Bi-weekly	Multiple
City of Fairfax	\$ 18.20	\$ 36.40	\$ 54.60	\$ 106.90	\$ 250.75	\$ 253.35	\$ 666.30	Weekly	Bi-weekly	Multiple
City of Mill Valley	\$ 26.34	\$ 43.97	\$ 61.58	\$ 116.63	\$ 313.94	N/A	N/A	Weekly	Bi-weekly	Multiple
City of San Anselmo	\$ 17.69	\$ 35.39	\$ 53.08	N/A	N/A	\$ 290.19	\$ 870.57	Weekly	Bi-weekly	Multiple
City of Tiburon	\$ 25.21	\$ 45.86	\$ 66.19	\$ 119.82	\$ 327.03	N/A	N/A	Weekly	Bi-weekly	Multiple
City of Richmond	\$ 22.83	\$ 43.70	\$ 65.04	\$ 163.40	\$ 410.49	\$ 366.60	\$ 997.30	Weekly	Bi-weekly	Single
City of San Pablo	\$ 22.18	\$ 42.39	\$ 63.08	\$ 175.53	\$ 442.35	\$ 403.18	\$ 1,101.16	Weekly	Bi-weekly	Single
City of El Cerrito	\$ 23.09	\$ 460.18	N/A	\$ 142.57	N/A	N/A	N/A	Weekly	Bi-weekly	Single
City of Hercules	\$ 22.82	\$ 40.05	\$ 57.70	\$ 185.87	\$ 467.23	\$ 424.91	\$ 1,158.53	Weekly	Bi-weekly	Single
City of Pinole	\$ 22.46	\$ 39.75	\$ 57.48	\$ 175.21	\$ 441.52	\$ 402.34	\$ 1,098.55	Weekly	Bi-weekly	Single
Unincorp. - West Contra Costa	\$ 24.41	\$ 46.89	\$ 69.84	\$ 165.55	\$ 416.86	\$ 372.04	\$ 1,013.17	Weekly	Bi-weekly	Single
City of San Rafael	\$ 19.90	\$ 39.80	\$ 59.70	\$ 121.70	\$ 365.45	\$ 244.25	\$ 639.30	Weekly	Bi-weekly	Multiple
Las Gallinas - County	\$ 17.45	\$ 34.90	\$ 52.35	\$ 125.00	\$ 375.25	\$ 252.90	\$ 705.80	Weekly	Bi-weekly	Multiple
City of Larkspur	\$ 20.10	\$ 40.20	\$ 60.30	\$ 127.45	\$ 382.25	\$ 256.00	\$ 671.25	Weekly	Bi-weekly	Multiple
City of Ross	\$ 19.30	\$ 38.60	\$ 57.90	N/A	N/A	\$ 247.95	\$ 743.75	Weekly	Bi-weekly	Multiple
Ross Valley Sanitary District	\$ 17.15	\$ 34.30	\$ 51.45	\$ 141.00	\$ 357.55	\$ 218.10	\$ 572.70	Weekly	Bi-weekly	Multiple
County - Marin Franchisors' Group	\$ 17.40	\$ 34.80	\$ 52.20	N/A	N/A	\$ 228.65	\$ 597.05	Weekly	Bi-weekly	Multiple
All City Average	\$ 18.86	\$ 43.49	\$ 50.72	\$ 99.28	\$ 276.55	\$ 249.44	\$ 717.17			
SBWMA Average	\$ 16.79	\$ 34.68	\$ 50.79	\$ 81.36	\$ 233.05	\$ 225.40	\$ 667.84			

* Information obtained through the Alameda County Waste Management Authority October 2005 Rate and Services Survey
All other rates provided to HF&H by jurisdiction staff in October 2005.