



Staff Report

DISCUSSION AND DIRECTION ON SOLID WASTE COLLECTION FEES

Honorable Mayor and Council Members:

Summary

The City of Belmont is running a deficit in its reserve balance account for Solid Waste Management Services that will require a fee increase. This report outlines a variety of rate structures that will zero out the reserve balance account at the end of the current franchise agreement with Allied Waste on December 31, 2010.

It is recommended City Council discuss all the rate structures and provide staff direction on a preferred option.

Background

In April 2005, staff outlined several rate structures to adjust the reserve balance that was projected to be \$603,193 by December 31, 2005. Staff recommended a 14 percent increase effective April 1, 2005, increased again 9 percent on July 1, 2006 and July 1, 2007, and 3 percent each July 1 thereafter. The reserve balance fund was projected to be near zero by the end of 2008.

City Council considered all the options and selected a lump sum increase of 26.1 percent retroactive to April 1, 2005 to pay off the deficit by the end of 2005. It was projected that the City would need a small increase to the rates in 2009.

The 2006 expenses were 8.9 percent greater than anticipated in the new rate structure. The City has been playing catch up with the reserve balancing account ever since. In addition, the assumptions that were used to create the rates for 2007 through 2009 were set at 4 percent per year. In 2007, 2008, and 2009 (projected), costs have increased between 5.2% and 5.6% each year. This can be attributed to fuel, health care and other insurance related to the operations that had increases greater than the CPI.

The City's existing reserve balance fund has a deficit of \$592,076 as of December 31, 2008. The rates need to be approved through a Prop 218 vote. All of the analysis has been completed assuming the new rates need to be in affect by July 1, 2009.

he following schedule is proposed to meet this deadline:

First Discussion and Direction by City Council	February 10 th
Second Discussion and Direction by City Council	March 10 th
Set Prop 218 Hearing for Rate Increases	March 24 th
Prop 218 Hearing at City Council	May 12 th
Advise Allied Waste for Next Billing	May 13 th

Discussion

Two strategies were used in developing the rates through the end of the existing franchise with Allied Waste. The first strategy was to zero out the reserve fund balance using only rate increases. Several rate increases were developed to zero out the reserve balancing account by December 31, 2010. The rate increases proposed was a one time increase, two rate increases twelve months apart, and three rate increases six month apart over the balance of the existing franchise agreement.

The second strategy is similar to the first strategy. Instead of zeroing out the reserve fund balance by December 31, 2010, the rates were adjusted so that the balance would be approximately \$300,000 in the red. The City would use half of the Allied Waste settlement funds (approximately \$300,000) in the Solid Waste Manage Account to pay off the balance owed on December 31, 2010.

The rate alternatives are as follows:

Alternative 1: One time increase of 16.71 percent with zero balance December 31, 2010

Alternative 2: One time increase of 12.3% with balance payoff of \$300,000

Alternative 3: Increases of 7.84 percent on July 1, 2009, January 1, 2010, and July 1, 2010 with zero balance December 31, 2010

Alternative 4: Increases of 5.85% on July 1, 2009, January 1, 2010, and July 1, 2010 with the balance payoff of \$300,000

Alternative 5: Increases of 12.05% on July 1, 2009 and July 1, 2010 with zero balance December 31, 2010

Alternative 6: Increases of 8.93% on July 1, 2009 and July 1, 2010 with the balance payoff of \$300,000

The detailed revenue analysis of each of the alternatives is provided in Attachment A.

Staff took the results of the detailed revenue analysis for the six alternatives and applied it to a typical solid waste collection service for a residential and commercial customer.

Typical Residential Customer Rate:

The typical residential customer has a 32 gallon container with a current rate of \$20.17 per month. The analysis indicates that the impact on the monthly rates for the typical residential solid waste collection service will increase as follows:

- Alternative 1: \$2.11 per month effective July 1, 2009
- Alternative 2: \$1.55 per month effective July 1, 2009
- Alternative 3: \$0.99, \$1.06, and \$1.15 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
- Alternative 4: \$0.74, \$0.78, and \$0.83 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
- Alternative 5: \$1.52 per month on July 1, 2009 and \$1.70 per month effective July 1, 2010
- Alternative 6: \$1.13 per month on July 1, 2009 and \$1.22 per month effective July 1, 2010

Typical Commercial Customer Rate:

The typical commercial customer has a 3 yard bin with a rate of \$290.06 per month. The analysis indicates that the impact on the monthly rates for a typical commercial solid waste collection service will increase as follows:

- Alternative 1: \$48.47 per month effective July 1, 2009
- Alternative 2: \$35.68 per month effective July 1, 2009
- Alternative 3: \$22.94, \$24.32, and \$26.45 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively.
- Alternative 4: \$16.97, \$17.96, and \$19.01 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively.
- Alternative 5: \$34.95 per month on July 1, 2009 and \$39.17 per month on July 1, 2010.
- Alternative 6: \$25.90 per month on July 1, 2009 and \$28.22 per month on July 1, 2010

The detailed solid waste collection rate analysis for a several different service levels for both the residential and commercial customers are outlined in Attachment B.

General Plan/Vision Statement

No impact.

Fiscal Impact

The discussion and direction on this matter will not establish any rates and therefore will have no fiscal impact at this time.

Public Contact/ Infrastructure Committee

This item was introduced to the Infrastructure Committee at their Friday, February 6th, meeting. No significant discussion was held at this meeting. The Infrastructure Committee will discuss this item at their next meeting prior to the March 10th City Council meeting when staff will need direction.

Recommendation

It is recommended City Council discuss the proposed rate structure alternatives and provide any direction to staff for additional information prior to returning to Council for action.

Alternatives

1. Refer back to staff for further information.

Attachments

- A. Revenue Analysis for Alternatives 1 through 6
- B. Solid Waste Collection Rate Analysis

Respectfully submitted,

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Belmont - Rate Alternative #1

	Revenue Requirement Adjusted for One-time 7/1/09 Rate Increase				
	2007	2008	7/1/09	2009	2010
Residential Revenues	2,014,121	2,011,591	16.71%	2,179,691	2,347,792
Commercial Revenues	2,387,219	2,403,374	16.71%	2,595,899	2,796,099
Compactor Revenues	98,273	91,825	16.71%	99,498	107,172
Other Revenues ¹	11,439	11,439		11,439	11,439
Adjusted Revenues	4,511,052	4,518,229		4,886,528	5,262,502
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170	4,979,697
Current Year Surplus/(Shortfall)	206,654	(11,686)		98,358	282,806
Interest Income/(Expense)	4% 8,555	2% (234)	2%	1,967	2% 5,656
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)	(288,462)
Current Year-End Balancing Account	(376,867)	(388,787)		(288,462)	0
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		-2.01%	-5.37%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		5.90%	0.00%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
 2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

Belmont - Rate Alternative #2

	Revenue Requirement Adjusted for One-time 7/1/09 Rate Increase & Disposal Settlement \$\$'s				
	2007	2008	7/1/09	2009	2010
Residential Revenues	2,014,121	2,011,591	12.30%	2,135,303	2,259,016
Commercial Revenues	2,387,219	2,403,374	12.30%	2,545,186	2,692,646
Compactor Revenues	98,273	91,825	12.30%	97,472	103,119
Other Revenues ¹	11,439	11,439		11,439	11,439
Adjusted Revenues	4,511,052	4,518,229		4,789,400	5,066,220
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170	4,979,697
One-time use of Disposal Settlement \$\$'s ³					
Current Year Surplus/(Shortfall)	206,654	(11,686)		1,230	86,523
Interest Income/(Expense)	4% 8,555	2% (234)	2%	25	2% 1,730
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)	(387,532)
Current Year-End Balancing Account	(376,867)	(388,787)		(387,532)	(299,278)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		-0.03%	-1.71%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		8.09%	5.91%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
 2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

³ The maximum Disposal Settlement \$\$'s available are \$300,000

Belmont - Rate Alternative #3

	Revenue Requirement Adjusted for Three Rate Increases (7/1/09, 1/1/10 & 7/1/10)						
	2007		2008		2009		2010
			7/1/09		1/1/10	7/1/10	
Residential Revenues	2,014,121	2,011,591	7.84%	2,090,433	7.84%	7.84%	2,431,011
Commercial Revenues	2,387,219	2,403,374	7.84%	2,493,831	7.84%	7.84%	2,904,482
Compactor Revenues	98,273	91,825	7.84%	95,424	7.84%	7.84%	110,971
Other Revenues ¹	11,439	11,439		11,439			11,439
Adjusted Revenues	4,511,052	4,518,229		4,691,127			5,457,903
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170			4,979,697
Current Year Surplus/(Shortfall)	206,654	(11,686)		(97,043)			478,206
Interest Income/(Expense)	4% 8,555	2% (234)	2%	(1,941)		2%	9,564
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)			(487,770)
Current Year-End Balancing Account	(376,867)	(388,787)		(487,770)			(0)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		2.07%			-8.76%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		10.40%			0.00%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments

2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

Belmont - Rate Alternative #4

	Revenue Requirement Adjusted for Three Rate Increases (7/1/09, 1/1/10 & 7/1/10) & Disposal Settlement \$\$						
	2007		2008		2009		2010
			7/1/09		1/1/10	7/1/10	
Residential Revenues	2,014,121	2,011,591	5.85%	2,070,429	5.85%	5.85%	2,319,756
Commercial Revenues	2,387,219	2,403,374	5.85%	2,470,907	5.85%	5.85%	2,771,558
Compactor Revenues	98,273	91,825	5.85%	94,511	5.85%	5.85%	105,892
Other Revenues ¹	11,439	11,439		11,439			11,439
Adjusted Revenues	4,511,052	4,518,229		4,647,286			5,208,645
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170			4,979,697
One-time use of Disposal Settlement \$\$'s ³							
Current Year Surplus/(Shortfall)	206,654	(11,686)		(140,884)			228,948
Interest Income/(Expense)	4% 8,555	2% (234)	2%	(2,818)		2%	4,579
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)			(532,488)
Current Year-End Balancing Account	(376,867)	(388,787)		(532,488)			(298,961)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		3.03%			-4.40%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		11.46%			5.74%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments

2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

³ The maximum Disposal Settlement \$\$'s available are \$300,000

Belmont - Rate Alternative #5

	Revenue Requirement Adjusted for Two Rate Increases (7/1/09 & 7/1/10)					
	2007	2008	2009	2010		
			7/1/09	7/1/10		
Residential Revenues	2,014,121	2,011,591	12.05%	2,132,744	12.05%	2,389,648
Commercial Revenues	2,387,219	2,403,374	12.05%	2,542,260	12.05%	2,855,062
Compactor Revenues	98,273	91,825	12.05%	97,355	12.05%	109,083
Other Revenues ¹	11,439	11,439		11,439		11,439
Adjusted Revenues	4,511,052	4,518,229		4,783,799		5,365,231
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170		4,979,697
Current Year Surplus/(Shortfall)	206,654	(11,686)		(4,371)		385,535
Interest Income/(Expense)	4% 8,555	2% (234)	2%	(87)	2%	7,711
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)		(393,245)
Current Year-End Balancing Account	(376,867)	(388,787)		(393,245)		(0)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		0.09%		-7.19%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		8.22%		0.00%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
 2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

Belmont - Rate Alternative #6

	Revenue Requirement Adjusted for Two Rate Increases (7/1/09 & 7/1/10) & Disposal Settlement \$\$'s					
	2007	2008	2009	2010		
			7/1/09	7/1/10		
Residential Revenues	2,014,121	2,011,591	8.93%	2,101,407	8.93%	2,289,064
Commercial Revenues	2,387,219	2,403,374	8.93%	2,506,401	8.93%	2,734,889
Compactor Revenues	98,273	91,825	8.93%	95,925	8.93%	104,491
Other Revenues ¹	11,439	11,439		11,439		11,439
Adjusted Revenues	4,511,052	4,518,229		4,715,172		5,139,883
Current Year Revenue Requirement ²	4,304,398	4,529,915		4,788,170		4,979,697
One-time use of Disposal Settlement \$\$'s ³						
Current Year Surplus/(Shortfall)	206,654	(11,686)		(72,998)		160,186
Interest Income/(Expense)	4% 8,555	2% (234)	2%	(1,460)	2%	3,204
Previous Year-End Balancing Account	(592,076)	(376,867)		(388,787)		(463,245)
Current Year-End Balancing Account	(376,867)	(388,787)		(463,245)		(299,855)
Rate Adjustment Current % Shortfall/(Surplus)	-4.58%	0.26%		1.55%		-3.12%
Rate Adjustment Cumulative % Shortfall/(Surplus)	8.35%	8.60%		9.82%		5.83%

¹ Other Revenues (California Curbside Recycling Rebates) assume no increases

² The 2010 Revenue Requirement has been escalated by 4% over the previous year to estimate potential CPI adjustments
 2009 Revenue Requirement reflects tip fee increase approved 1/22/09 (i.e., \$72/ton Solid Waste, \$60.50/ton Green Waste)

³ The maximum Disposal Settlement \$\$'s available are \$300,000

Attachment B

Solid Waste Collection Rate Analysis Close Out Allied Franchise Agreement (12/31/10)

Service Level (Weekly Service)	Existing	Alternative 1	Difference	Alternative 2	Difference
	Rate	7/1/2009		7/1/2009	
Residential					
20 gallon	\$ 12.61	\$ 14.72	\$ 2.11	\$ 14.16	\$ 1.55
32 gallon	\$ 20.17	\$ 23.54	\$ 3.37	\$ 22.65	\$ 2.48
64 gallon	\$ 41.25	\$ 48.14	\$ 6.89	\$ 46.32	\$ 5.07
Commercial					
1 yard	\$ 96.69	\$ 112.85	\$ 16.16	\$ 108.58	\$ 11.89
3 yard	\$ 290.06	\$ 338.53	\$ 48.47	\$ 325.74	\$ 35.68

Service Level (Weekly Service)	Existing Rate	Alternative 3			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.60	\$ 14.66	\$ 15.81	\$ 47.97	\$ 1.06	\$ 1.15
32 gallon	\$ 20.17	\$ 21.75	\$ 23.46	\$ 25.30	\$ 1.58	\$ 1.71	\$ 1.84
64 gallon	\$ 41.25	\$ 44.48	\$ 47.97	\$ 51.73	\$ 3.23	\$ 3.49	\$ 3.76
Commercial							
1 yard	\$ 96.69	\$ 104.00	\$ 112.45	\$ 121.26	\$ 7.31	\$ 8.45	\$ 8.81
3 yard	\$ 290.06	\$ 313.00	\$ 337.32	\$ 363.77	\$ 22.94	\$ 24.32	\$ 26.45

Service Level (Weekly Service)	Existing Rate	Alternative 4			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.35	\$ 14.13	\$ 14.96	\$ 0.74	\$ 0.78	\$ 0.83
32 gallon	\$ 20.17	\$ 21.35	\$ 22.60	\$ 23.92	\$ 1.18	\$ 1.25	\$ 1.32
64 gallon	\$ 41.25	\$ 43.66	\$ 46.22	\$ 48.92	\$ 2.41	\$ 2.56	\$ 2.70
Commercial							
1 yard	\$ 96.69	\$ 102.35	\$ 108.33	\$ 114.67	\$ 5.66	\$ 5.98	\$ 6.34
3 yard	\$ 290.06	\$ 307.03	\$ 324.99	\$ 344.00	\$ 16.97	\$ 17.96	\$ 19.01

Attachment B

Solid Waste Collection Rate Analysis Close Out Allied Franchise Agreement (12/31/10)

Service Level (Weekly Service)	Existing Rate	Alternative 5		Difference	
		7/1/2009	7/1/2010	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 14.13	\$ 15.83	\$ 1.52	\$ 1.70
32 gallon	\$ 20.17	\$ 22.60	\$ 25.32	\$ 2.43	\$ 2.72
64 gallon	\$ 41.25	\$ 46.22	\$ 51.79	\$ 4.97	\$ 5.57
Commercial					
1 yard	\$ 96.69	\$ 108.34	\$ 121.40	\$ 11.65	\$ 13.06
3 yard	\$ 290.06	\$ 325.01	\$ 364.18	\$ 34.95	\$ 39.17

Service Level (Weekly Service)	Existing Rate	Alternative 6		Difference	
		7/1/2009	7/1/2010	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 13.74	\$ 14.96	\$ 1.13	\$ 1.22
32 gallon	\$ 20.17	\$ 21.97	\$ 23.93	\$ 1.80	\$ 1.96
64 gallon	\$ 41.25	\$ 44.93	\$ 48.95	\$ 3.68	\$ 4.02
Commercial					
1 yard	\$ 96.69	\$ 105.32	\$ 114.73	\$ 8.63	\$ 9.41
3 yard	\$ 290.06	\$ 315.96	\$ 344.18	\$ 25.90	\$ 28.22