



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.

The 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

Three strategies were used in developing the rates through the end of the existing franchise with Allied Waste. They are as follows:

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.

Adjust the rates without using any of the Allied Waste settlement fund and having a zero fund balance on December 31, 2010. (Alternatives 1, 2 and 3)

Adjust the rates so that the balance would be approximately \$300,000 in the red on December 31, 2010. 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. (Alternatives 4, 5 and 6)

Adjust the rates so that the balance would be approximately \$600,000 in red on December 31, 2010. The City would use all \$600,000 of the Allied Waste settlement funds to pay off the balance owed on December 31, 2010. (Alternatives 7, 8 and 9)

The detailed revenue analysis of each of the alternatives is provided in Attachment A. The description of each of the rate scenarios are provided in Attachment B.

ACTUAL IMPACTS ON RATES

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:

One Time Increase Alternatives:

Alternative 1: \$3.37 per month effective July 1, 2009

Alternative 2: \$2.48 per month effective July 1, 2009

Alternative 3: \$1.20 per month effective July 1, 2009

Three Increases Alternatives:

- Alternative 4: \$1.58, \$1.71 and \$1.84 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 5: \$1.18, \$1.25 and \$1.32 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 6: \$0.98, \$1.03 and \$1.08 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively

Two Increases Alternatives:

- Alternative 7: \$2.43 per month on July 1, 2009 and \$2.72 per month effective July 1, 2010
Alternative 8: \$1.80 per month on July 1, 2009 and \$1.96 per month effective July 1, 2010
Alternative 9: \$1.40 per month on July 1, 2009 and \$1.50 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:

One Time Alternatives:

- Alternative 1: \$48.47 per month effective July 1, 2009
Alternative 2: \$35.68 per month effective July 1, 2009
Alternative 3: \$27.61 per month effective July 1, 2009

Three Time Alternatives:

- Alternative 4: \$22.94, \$24.32 and \$26.45 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 5: \$16.97, \$17.96 and \$19.01 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively
Alternative 6: \$14.13, \$14.81 and \$15.54 per month effective July 1, 2009, January 1, 2010, and July 1, 2010, respectively

Two Time Alternatives:

- Alternative 7: \$34.95 per month on July 1, 2009 and \$39.17 per month on July 1, 2010
Alternative 8: \$25.90 per month on July 1, 2009 and \$28.22 per month on July 1, 2010
Alternative 9: \$20.16 per month on July 1, 2009 and \$21.56 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 recommended the three rate increase alternative without any of the Allied Waste settlement funds being used.

City Council at their February 10th meeting requested staff to analyze three additional scenarios with the assumption that \$600,000 of the Allied Waste settlement funds be used to offset the outstanding reserve balance fund.

The Infrastructure reviewed and discussed the new funding scenarios at their March 4th meeting. Their recommendation will be provided at the March 10th City Council meeting.

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. Solid Waste Collection Rate Analysis
- B. Rate Alternatives

Respectfully submitted,

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Attachment A

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

RATE INCREASE ONLY ALTERNATIVES

Service Level (Weekly Service)	Existing Rate	Alternative 1		Alternative 2		Alternative 3	
		7/1/2009	Difference	7/1/2009	Difference	7/1/2009	Difference
Residential							
20 gallon	\$ 12.61	\$ 14.72	\$ 2.11	\$ 14.16	\$ 1.55	\$ 13.81	\$ 1.20
32 gallon	\$ 20.17	\$ 23.54	\$ 3.37	\$ 22.65	\$ 2.48	\$ 22.09	\$ 1.92
64 gallon	\$ 41.25	\$ 48.14	\$ 6.89	\$ 46.32	\$ 5.07	\$ 45.18	\$ 3.93
Commercial							
1 yard	\$ 96.69	\$ 112.85	\$ 16.16	\$ 108.58	\$ 11.89	\$ 105.89	\$ 9.20
3 yard	\$ 290.06	\$ 338.53	\$ 48.47	\$ 325.74	\$ 35.68	\$ 317.67	\$ 27.61

**RATE INCREASE WITH \$300,000 PAYOFF
Alternatives 4, 5, 6**

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	\$ 13.60	\$ 14.66	\$ 15.81	\$.99	\$ 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 5			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	\$ 334.00	\$ 16.97	\$ 17.96	\$ 19.01

Attachment A

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

Service Level (Weekly Service)	Existing Rate	Alternative 6			Difference		
		7/1/2009	1/1/2010	7/1/2010	7/1/2009	1/1/2010	7/1/2010
Residential							
20 gallon	\$ 12.61	\$ 13.22	\$ 13.86	\$ 14.54	\$ 0.61	\$ 0.64	\$ 0.68
32 gallon	\$ 20.17	\$ 21.15	\$ 22.18	\$ 23.26	\$ 0.98	\$ 1.03	\$ 1.08
64 gallon	\$ 41.25	\$ 43.25	\$ 45.36	\$ 47.57	\$ 2.00	\$ 2.11	\$ 2.21
Commercial							
1 yard	\$ 96.69	\$ 101.40	\$ 106.34	\$ 111.52	\$ 4.71	\$ 4.94	\$ 5.18
3 yard	\$ 290.06	\$ 304.19	\$ 319.00	\$ 334.54	\$ 14.13	\$ 14.81	\$ 15.54

Attachment A

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

RATE INCREASE WITH \$600,000 PAYOFF Alternatives 7, 8, 9

Service Level (Weekly Service)	Existing Rate	Alternative 7		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	\$ 44.25	\$ 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 8		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	\$ 44.25	\$ 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

Service Level (Weekly Service)	Existing Rate	Alternative 9		Difference	
		7/1/2009	7/1/2009	7/1/2009	7/1/2010
Residential					
20 gallon	\$ 12.61	\$ 13.49	\$ 14.42	\$ 0.88	\$ 0.93
32 gallon	\$ 20.17	\$ 21.57	\$ 23.07	\$ 1.40	\$ 1.50
64 gallon	\$ 44.25	\$ 44.11	\$ 47.18	\$ 2.86	\$ 3.07
Commercial					
1 yard	\$ 96.69	\$ 103.41	\$ 110.60	\$ 6.72	\$ 7.19
3 yard	\$ 290.06	\$ 310.22	\$ 331.78	\$ 20.16	\$ 21.56

Attachment B

Rate Alternatives

One Time Increase:

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: One time increase of 9.52% with balance payoff of \$600,000

Three increases spread 6 months apart:

Alternative 4: Increases of 7.84 percent on July 1, 2009, January 1, 2010, and July 1, 2010 with zero balance December 31, 2010

Alternative 5: Increases of 5.85% on July 1, 2009, January 1, 2010, and July 1, 2010 with the balance payoff of \$300,000

Alternative 6: Increases of 4.87% on July 1, 2009, January 1, 2010, and July 1, 2010 with the balance payoff of \$600,000

Two increases spread 12 months apart:

Alternative 7: Increases of 12.05% on July 1, 2009 and July 1, 2010 with zero balance December 31, 2010

Alternative 8: Increases of 8.93% on July 1, 2009 and July 1, 2010 with the balance payoff of \$300,000

Alternative 9: Increases of 6.95% on July 1, 2009 and July 1, 2010 with the balance payoff of \$600,000.