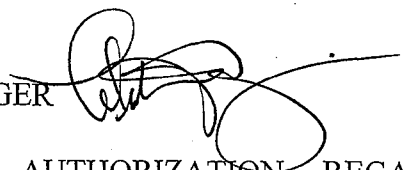




MEETING DATE: 4/18/05  
ITEM NO. 14

## COUNCIL AGENDA REPORT

DATE: April 12, 2005  
TO: MAYOR AND TOWN COUNCIL  
FROM: DEBRA J. FIGONE, TOWN MANAGER   
SUBJECT: COUNCIL DISCUSSION AND AUTHORIZATION REGARDING  
PROPOSED SOLID WASTE COLLECTION RATE ADJUSTMENT

### RECOMMENDATION:


Council discussion and authorization regarding proposed solid waste collection rate adjustment.

### BACKGROUND:

The Town contracts for solid waste collection and disposal services through the West Valley Solid Waste Management Authority (Authority), a joint powers agency consisting of the following member municipalities: Town of Los Gatos, City of Campbell, City of Monte Sereno, and City of Saratoga. The Authority was formed in 1997, at which time all four municipalities assigned their refuse collection, disposal, residential curbside recycling collection, and residential yard waste collection agreements to the new Authority. The Authority now holds contracts with Green Valley Disposal Company to provide these services. It is the Authority's role to manage the contracts and the services provided under them, including monitoring service levels, setting residential and commercial collection rates, and negotiating new contracts as appropriate.

Residential and commercial collection rates were last adjusted in February 1995; in the last ten years they have remained static.

The Authority is staffed by a contract Executive Director, Scott Hobson of Hilton Farnkopf & Hobson, LLC. The Authority Board of Directors includes one Council representative from each agency; Councilmember Glickman is the Los Gatos Boardmember.

PREPARED BY: Regina A. Falkner, Director of Community Services  
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Reviewed by: RS Assistant Town Manager OK Town Attorney \_\_\_\_\_ Clerk Administrator  
se Finance \_\_\_\_\_ Community Development Revised: 4/12/05 1:56 pm

Reformatted: 5/30/02

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DISCUSSION:

The purpose of this report is to provide information on the Authority's proposed adjustments to residential and commercial collection service rates, so that Council may direct the vote of its Authority representative.

***Rate Adjustment Process***

The Authority contracts with Green Valley Disposal Company to provide waste collection services to Los Gatos residents and businesses under the Refuse Collection Services Agreement. This agreement states the services that are to be provided, and outlines a process for setting the rates for those services. Under the agreement, Green Valley may submit a rate adjustment request to the Authority by March 1 of each year, for new rates effective July 1. The Authority then adopts the rates for Los Gatos residents and businesses.

Collection rates for Los Gatos were last adjusted in February 1995, previous to the existence of the Authority. Adjustments requested by Green Valley for 1996 received extensive review by the Town and the other West Valley cities, in order to achieve fair and reasonable rates. In response, Green Valley sued the cities collectively for breach of contract. The negotiated settlement resulted in the formation of the Authority, and a new Refuse Collection Services Agreement for each municipality.

The favorable terms of the new Refuse Collection Agreement resulted in a small surplus of revenues over expenses for the first few years, which were used as a "rate stabilization fund" to offset increasing costs in subsequent years. However, these funds have now been substantially depleted. A rate adjustment request was submitted to the Authority by Green Valley this March 1. This request has been reviewed for accuracy and adherence to contract requirements by the Authority's Executive Director.

***Proposed Adjustment***

The Authority's agreements with Green Valley outline a Consumer Price Index (CPI) based formula for adjusting rates each year. The collection rate includes the following six components:

Component	Annual Adjustment
Refuse Collection	80% of annual change in the national CPI
Base Disposal	90% of the annual change in the national CPI
Disposal Surcharges	actual change in surcharges at landfill, imposed by various regulatory agencies
Franchise Fees	actual change in franchise fees, set by member agencies

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Component	Annual Adjustment
Agency Surcharges	actual change in agency surcharges, set by member agencies
Recycling Surcharges	45% of the annual change in the national CPI, plus 5% of the annual change in the motor fuel component of the national CPI

This formula has resulted in very small increases due Green Valley for the last several years. These small increases have been absorbed by the Town's "rate stabilization fund," described above. As the increase due this year is larger than in previous years, and as this fund has now been substantially depleted, the increase due Green Valley under the agreements must be covered by an increase in rates.

The proposed increase in rates, described below, will not add monies back to the "rate stabilization fund." This fund will continue to be drawn down, though at a reduced rate. The strategy is to gradually bring down the balance of the fund until 2007, at which time there will be a new collection contract, with new services and new rates, and potentially a new provider of these services. During the negotiation process for the new contract, Council may wish to consider whether or not a rate stabilization fund, or some other mechanism, would be a desirable component of the new rate structure. This process will take place in early 2006.

The rate adjustment request submitted by Green Valley on March 1, which complies with the contract formula described above, requires a 3.2% increase in rates effective July 1. This request assumed no change in the Franchise Fee or Agency Surcharges components of the collection rates. The Franchise Fee for Los Gatos is a percentage of gross revenues to Green Valley; no change is contemplated for this fee. The Agency Surcharges for Los Gatos, for FY 2004/05, are as follows:

Surcharge	Amount
Recycling Administration	\$30,000
Solid Waste Management	\$95,000
Total	\$125,000

The Recycling Administration surcharge supports General Fund activities. The Solid Waste Management surcharge is used to fund solid waste management activities, budgeted in the Solid Waste Management Program 2210. These activities have included public education efforts aimed at increasing recycling, collection of waste from public litter receptacles in the downtown, and Town participation in Authority activities. For FY 2004/05, solid waste related activities performed by Parks and Public Works Department staff were added to the Solid Waste Management Program budget. These activities include sidewalk steam cleaning, trash removal in Town parks and regular removal of debris from the streets and storm drains during the winter. Each of these services was

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formerly funded through the General Fund. The shift to funding these services through the Solid Waste Management surcharge reflects the Town's ongoing efforts to appropriately and precisely align services with funding source.

In order to continue to fund these solid waste management activities from the Solid Waste Management surcharge, the surcharge must be increased. Staff estimates that an increase of \$235,000 will be sufficient. This increase, and the adjustments due Green Valley under the agreements, will result in a collection fee increase of 5%, rather than the 3.2% increase requested by Green Valley.

Should the adjustment be made at the 3.2% level, rather than at the recommended level of 5%, the solid waste management activities listed above would need to be funded from some other source of funds, such as the General Fund, or the services be discontinued.

The agreements call for rate adjustments to become effective July 1. Due to the billing schedule used by Green Valley, staff recommends that the new commercial rates become effective July 1, and the new residential rates become effective August 1.

### ***Rate Comparison***

Residential collection rates, for the most popular service level, for the Authority member cities are shown below. The 5% recommended adjustment would increase the rate for Los Gatos ratepayers from \$15.75 per month to \$16.55 per month. Los Gatos would continue to have the lowest rates of the West Valley cities.

Agency	FY 2004/05 1 can rate (existing rates)	FY 2005/06 1 can rate (with proposed adjustments)
Los Gatos	\$15.75	\$16.55
Campbell	\$16.85	\$18.05
Saratoga	\$18.18	\$18.64
Monte Sereno	\$21.00	\$21.43

### ***Public Outreach***

A proactive approach has been taken to educate Los Gatos residents and businesses about the collection rate adjustment. The Fall 2004 issue of the Town newsletter, the Los Gatos *Vista*, included a short article explaining the rate adjustment process, and directing readers to sources for

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more information. The Spring 2005 issue of the *Vista*, distributed this month, contained similar information, and discussed the May 5 Authority public meeting, at which rates will be considered. Green Valley included the same information in the Spring 2005 issue of its newsletter, sent to all residents and businesses in Los Gatos.

### ***Future Adjustments***

Current projections show that a 5% increase in rates will be necessary again in FY 2006/07; this increase would be effective from July 2006 through March 1, 2007, when the new collection contract will be in place. This anticipated increase will be necessary to keep service levels status quo.

### **CONCLUSION:**

Staff recommends that Council authorize its West Valley Solid Waste Management Authority Board Representative, Council member Steve Glickman, to approve the proposed solid waste collection rate adjustment.

### **ENVIRONMENTAL ASSESSMENT:**

The recommended action is not a project defined under CEQA, and no further action is required.

### **FISCAL IMPACT:**

As noted above, the Solid Waste Management surcharge will increase under the proposed rate adjustment. This increase in revenues will be reflected in the FY 2005/06 Operating Budget.

### **Distribution:**

Scott Hobson, Executive Director, West Valley Solid Waste Management Authority