



# **Atascadero City Council**

## **Staff Report – Public Works Department**

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### **Solid Waste, Recycling and Green Waste Agreements and Information**

*(This report addresses proposed changes in the services and fees for collection and disposal of solid waste, recycling and green waste.)*

#### **RECOMMENDATIONS:**

Council:

1. Receive the report on the Integrated Waste Management Authority solid waste management fee; and
2. Authorize the City Manager to execute the Amended and Restated Solid Waste Collection Franchise Agreement with Atascadero Waste Alternatives; and
3. Deny the request by Chicago Grade Landfill, Inc. to amend the existing agreement between the City and Chicago Grade Landfill for the Exclusive Depositing of City Waste Collections into the Chicago Grade Landfill.

#### **REPORT-IN-BRIEF:**

The City of Atascadero contracts for all services related to the collection and disposal of solid waste, recycling and green waste. This report will address proposed changes in the services and fees for the services as follows:

- The City is a member of the Integrated Waste Management Authority (IWMA) which provides solid waste and recycling services in San Luis Obispo County. The cost to provide these services has gone up and the revenue source has gone down. The IWMA Board passed a fee increase to address this shortfall.
- Atascadero Waste Alternatives (AWA) collects solid waste, recycling and green waste in the City per a Solid Waste Collection Franchise Agreement. AWA and City Staff disagreed about the interpretation of the term of this Agreement. The

City Council directed staff to negotiate with the AWA on a new agreement with new terms and modernize the new contract.

- North County Recycling has an agreement with the City for the depositing and processing of recycling and green waste. The proposed contract with AWA also clarifies the services to be provided by AWA and North County Recycling.
- Chicago Grade Landfill (Landfill) has an agreement with the City for the exclusive depositing of solid waste at the Landfill at a fixed rate. The Owners of the Landfill are requesting an amendment to the Agreement to allow for a \$2.10 per ton rate increase in exchange for additional services.

## **DISCUSSION:**

### Background:

#### **Integrated Waste Management Authority (IWMA)**

The Integrated Waste Management Authority (IWMA) was created by a Joint Powers Agreement between the cities in San Luis Obispo County, and the County of San Luis Obispo. The mission of the IWMA is to undertake regional programs that benefit member jurisdictions, such as the household hazardous waste and school education programs, recycling coordination and other solid waste services.

The main source of revenue for the IWMA is a \$3.00 per ton surcharge on solid waste deposited at landfills. Last year less solid waste was going into the landfills. This could be due to increased diversion through recycling or other efforts. This has caused a decrease in revenue from the landfills for the IWMA. The IWMA operates 5 household hazardous waste facilities. The cost to operate these facilities has risen with no new revenue source implemented to cover the cost increase.

This resulted in a shortfall in the IWMA budget, and the IWMA Board voted unanimously to implement a solid waste management fee on all solid waste and recycling collection services to deal with the shortfall. The fee will be effective as of January 1, 2008 as follows:

- Residential Customers  
\$0.30 (Monthly bills under \$50)  
2% of bill (Monthly bills over \$50)
- Commercial Customers  
2% of monthly bill

AWA will collect the fee from their consumers and forward it to the IWMA. This item is for information and no action is required by the City Council.

## **Atascadero Waste Alternatives (AWA)**

The City Council entered into an agreement with AWA in 1996 for the collection and disposition of solid waste, recycling and green waste. In 2006, there was disagreement between AWA and the City about the interpretation of the terms of this contract. Staff brought this issue to the City Council in 2006. The Council directed City Staff to work with AWA on a new contract that was clear on the term and other provisions. Staff has been working with AWA on a new contract since that meeting. The following are the key points of the proposed contract:

- No change to residential rates
- Change in commercial rate structure to encourage recycling

The new contract proposes free commingled commercial recycling and a commercial solid waste rate increase of 22%. The free commingled recycling is up to 4 cubic yards collected once per week. Currently there are separate charges for refuse and recycling. In an effort to promote recycling, we combined the charges into one rate. So the net effect is a 22% increase on refuse, while the charges on bins up to 4 cubic yards have been included at no charge. The intent is to promote recycling while not raising fees.

Consider the company that currently has a 4 yard solid waste bin and a 4 yard commingled recycling bin picked up once per week. The cost of the current service is \$251.20 per month (\$184.60 per month for solid waste and \$66.60 per month for recycling). Under the new contract the cost would be \$224.84 or a 10% decrease.

Another example would be a company with no recycling and 4 yards of solid waste picked up once per week. The cost of this service is currently \$184.60 per month. If this business recycles 50% of its solid waste and changed to 2 yards of solid waste pick up once per week, the monthly cost under the new contract would drop to \$149.44 per month (a 19% decrease in cost). If the company can recycle 75% of its waste, the monthly cost under the new contract would drop to \$110.06 (a 40% decrease in cost).

If the company has 4 yards of solid waste picked up once per week and does not recycle the rate goes from \$184.60 to \$224.84, at 22% increase.

- Franchise fee increase from 5% to 10%

The City receives a franchise fee from the contractor for the right to operate in the City. The fee is based on gross revenue collected by the contractor. The typical gross revenues are approximately \$332,000 per month. Therefore the franchise will increase from approximately \$16,500 to \$33,000 per month.

- Percentage of Consumer Price Index (CPI) annual increase is decreased

Rates to consumers are adjusted annually for inflation. In the existing contract the adjustment is 100% of CPI, but limited to not more than 5%, on May 1<sup>st</sup> each year. If the CPI was 3.5%, the rates would go up by 3.5%. In the proposed new contract the adjustment would be 85% of CPI on January 1<sup>st</sup> each year. If the CPI was 3.5%, the rates would go up by 2.97%.

- Contract Term

This proposed contract is for 7 years with (3) 1-year extensions possible. This will change the current type of agreement.

- Recycling

North County Recycling has a contract with the City for the depositing and processing of commingled recycling and green waste. AWA was to receive all the clean cardboard for processing. Under the proposed agreement between AWA, North County Recycling and the City, all commercial recycling, including clean cardboard, will be collected commingled by AWA and will be delivered to North County Recycling for processing. This will allow commercial accounts to have one bin for commingled recycling instead of one for commingled recycling and one for clean separated cardboard.

Listed below is a comparison of monthly local residential garbage rates for a 60 gallon garbage container (this includes recycling and green waste):

Residential Garbage Rates	
Atascadero	\$33.00
Paso Robles	\$33.25
North County Unincorporated Areas	34.67

Based on the above information, Staff recommends approval of the new Agreement with AWA.

### **Chicago Grade Landfill**

Chicago Grade Landfill is located east of Atascadero on Homestead Road. The City has an exclusive agreement with Chicago Grade Landfill (Landfill) until June 30, 2011 for the depositing of solid waste at the Landfill. What that means is that all solid waste collected by AWA will be deposited at the Landfill. In return for this exclusive agreement, the rate for landfill disposal is fixed at \$39.90 per ton. The City also receives a \$1.00 ton franchise fee and a fixed rate of wastewater sludge disposal of \$14.00 per ton.

Staff has been contacted by the owners of the Chicago Grade Landfill with a request to amend the current agreement to allow a \$2.10 per ton increase. If approved, this would cause residential rates to go up by \$0.14 and commercial rates to go up by \$2.00. Following are reasons the owner of the Landfill have given for the rate increase request:

- Decrease in landfill revenue.

Last year, the buried tonnage at Chicago Grade Landfill decreased for the first time in 5 years (see chart below). This could be caused by the levels of recycling increasing or by economic and housing slowdown. The buried tonnage is down, so revenues are down. The owner of the Landfill says the trend for buried tonnage is down for 2007 also.

Annual Buried Tonnage Chicago Grade Landfill	
2006	79,763
2005	85,812
2004	84,234
2003	75,283
2002	66,711
2001	41,518

- Recycling Costs

The Landfill currently has recycling bins located at the front gate that are free for the public to use. In the past, they were emptied for free by Atascadero Waste Alternatives based on a verbal agreement. North County Recycling has taken over the processing of recycling from Atascadero Waste Alternative and charges the Landfill to empty these recycle bins. The Owner of the Landfill says they cannot afford to offer this free service.

- Construction/Demolition Facility

The City of Atascadero requires that 50% of construction waste and debris from demolition at construction sites be recycled. Construction/demolition facilities take in the construction waste and debris, sort the material and recycle over 50% of it. The contractor receives a receipt from the construction/demolition facility that over 50% of the material is recycled.

The Landfill and North County Recycling both offer commingled construction/demolition recycling at \$45.00 per ton. North County Recycling offers separated construction/demolition recycling at \$35.00 per ton. The Landfill did not offer commingled construction/demolition recycling when they entered into the agreement with the City. They say they are losing money on this service at \$45.00 per ton.

- Request of County Auditor

The County has an ordinance that regulates landfill rates and sets disposal rates at landfills located in the unincorporated area of the County. Chicago Grade Landfill is attempting to resolve its current imbalance between expenses and revenue by cutting costs and by processing a rate increase through the County. The City is currently receiving a rate that is \$1.00 less than the County and, if the County rate increase is approved, the City rate will be even greater.

The Owner of the Chicago Grade has said he is under pressure from the County Auditor to equalize the rates between City and County customers. The County has no authority over the agreement between the Landfill and the City and the City has not been contacted by the County Auditor.

Chicago Grade Landfill wishes to maintain the existing waste disposal agreement with a \$2.10 per ton increase and proposes to offer services that benefit the City in exchange for that rate adjustment. Following is a list of the 4 proposed serves:

1. Operation of a construction/demolition facility

The Landfill will continue to operation of a construction/demolition facility. The rate would not exceed the San Luis Obispo County rate for uncompacted waste which is currently at \$45.00 per ton.

2. Free recycling

The Landfill will continue to offer free recycling at the Landfill.

3. Litter pick-up on State Highway 41 between Capistrano and Homestead Roads

The Owner of the Landfill will participate in Caltrans adopt-a-road Program on SR 41 from Capistrano and Homestead Roads to reduce litter.

4. Free sewage disposal of sludge from the Atascadero Wastewater Treatment Plant

The Wastewater Treatment Plant produces sludge that is annually dredged off the bottom of the wastewater ponds and dried in drying bed. The sludge is then shipped to the Landfill when dried. The City currently pays a fixed rate of \$14 per ton for wastewater sludge disposal per our agreement. The City deposited approximately 832 tons of sludge over the last 5 years at a cost of \$11,648. The Landfill proposes to provide this service for free if the amended agreement is approved.

Following is City Staff's analysis of the offer:

1. Operation of a construction/demolition facility

The Landfill chose to offer this service. North County Recycling also offers this service at the same price as the Landfill (\$45.00 per ton). Staff does support construction/demolition recycling but we do not support the solid waste rate payer subsidizing this service.

2. Free recycling

Recycling is included in residential service offer by Atascadero Waste Alternatives and would be free for commercial accounts under the proposed contract with Atascadero Waste Alternative. Staff does not recommend a rate increase to pay for free recycling at the Landfill when all Atascadero customers will have recycling pickup. The City residents would be subsidizing recycling services for County residents.

3. Litter pick-up on State Highway 41 between Capistrano and Homestead Roads

To "adopt a road", through Caltrans, a company has to sign up and be trained. There is no cost in this program. The company then uses their own forces to pick up the litter or hires someone to do it.

This portion of State Highway 41 is located outside the City of Atascadero in the County of San Luis Obispo. People throughout the County use Chicago Grade Landfill. Staff does not support an Atascadero garbage rate increase to pay Chicago Grade Landfill to pick up litter on State Route 41.

4. Free sewage disposal of sludge from the Atascadero Wastewater Treatment Plant

The Wastewater Treatment Plant serves approximately half the City. The other half is on septic systems. The cost for wastewater sludge disposal is funded under the current wastewater rate structure. If the City were to receive free disposal of the sludge, the wastewater account would benefit. This would only benefit residences and business on sewer. Solid waste rates for all accounts in Atascadero would rise to pay for the \$2.10 per ton Landfill rate increase. This would unfairly provide a decrease in costs for the Wastewater Account and the decrease would be funded by all solid waste accounts in Atascadero. Staff does not support this offer for free sludge disposal.

Based on the above information, staff does not support the request for a \$2.10 per ton rate increase.

Conclusion:

Integrated Waste Management Authority The City of Atascadero is a member of the IWMA by a Joint Powers Agreement. The IWMA Board unanimously approved the solid waste management fee and it will be added to the bills submitted by AWA.

Atascadero Waste Alternatives City Staff has worked in good faith with AWA on the proposed Agreement. The new agreement has many benefits for the City, as listed in the staff report, and City and IWMA Staff are recommending its approval.

Chicago Grade Landfill City Staff does not recommend approval of a rate increase at the Landfill. The City has an Exclusive Depositing Agreement with Landfill that fixes compacted depositing rates until 2011. The added services offered by the Landfill do not support a rate increase.

**FISCAL IMPACT:**

- Listed below is a summary of all the account rate changes discussed in this staff report.

<b>Account Rate Changes</b>		
Service Provider	Residential	Commercial
Integrated Waste Management Authority	✓ \$0.30 per month for bills under \$50 ✓ 2% rate increase for bills over \$50	✓ 2% rate increase
Atascadero Waste Alternatives	✓ No increase	✓ 22% increase on solid waste ✓ Free recycling
North County Recycling	✓ No Increase	✓ No Increase
Chicago Grade Landfill	✓ \$0.14 per month	✓ \$2.00 per month

- The franchise fee from AWA increase from 5% to 10%, if the new Agreement is approved. The franchise fee is based on gross revenue collected from AWA. The new annual franchise fee will be approximately \$395,000.00, which reflects a \$197,500 increase.

**ALTERNATIVES:**

1. Do not approve Atascadero Waste Alternatives proposed Agreement and direct staff to open negotiations on specific points.
2. Do not approve Atascadero Waste Alternatives proposed Agreement and direct staff to request proposals from waste haulers. This option may be disputed by

- Atascadero Waste Alternatives, since they believe there are many more years on their existing contract and the City and they have been negotiating in good faith.
3. Direct staff to negotiate with Chicago Grade Landfill on a amended agreement to allow a rate increase.

### **ATTACHMENTS:**

- Exhibit A - Memo from Integrated Waste Management Authority on the rate increase.  
Exhibit B - Proposed Agreement with Atascadero Waste Alternatives.