

CITY OF PACIFICA CITY COUNCIL AGENDA

MAYOR PETE DEJARNATT
MAYOR PRO TEM JIM VREELAND
COUNCILMEMBER CALVIN HINTON
COUNCILMEMBER JULIE LANCELLE
COUNCILMEMBER SUE DIGRE

CITY COUNCIL CHAMBERS
2212 BEACH BOULEVARD
PACIFICA, CALIFORNIA 94044

SPECIAL MEETING

March 7, 2007

www.ci.pacifica.ca.us

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7:00 p.m. SPECIAL COUNCIL MEETING

Call to Order
Roll Call
Salute to the Flag led by Councilmember Julie Lancelle

CONSIDERATION

1. AB939 Diversion Requirements (**Proposed action:** information only)
2. San Mateo and San Francisco Counties Solid Waste Comparison (**Proposed action:** information only)
3. Coastside Scavenger – Five Year Review (**Proposed action:** direct staff to develop and implement strategies for ensuring Coastside's compliance with the franchise agreement and to address rate relief for the ratepayers, including, but not limited to, exploring the option of a City-initiated rate review. Staff also recommends that the City Council direct staff to notify the appropriate regulatory agencies, such as the CIWMB, of the material that was delivered to the Picardo Ranch)

During the meeting the public shall have an opportunity to address the legislative body on any item described in this notice.

ADJOURNMENT.

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NOTICE: If you challenge a city's zoning, planning or other decision in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Council at, or prior to, the public hearing. Judicial review of any city administrative decision may be had only if a petition is filed with the court not later than the 90th day following the date upon which the decision becomes final. Judicial review of environmental determinations may be subject to a shorter time period for litigation, in certain cases 30 days following the date of final decision.

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- Governor Arnold Schwarzenegger, State Capitol Building, Sacramento CA 95814 (916) 445-2841
- State Senator Leland Yee, 400 So. El Camino Real, Ste. 630, San Mateo, CA 94402 (650) 340-8840
- Assemblymember Gene Mullin, 1528 So. El Camino Real, Ste 302, San Mateo CA 94402 (650) 341-4319
- Congressman Tom Lantos, 400 So. El Camino Real, Ste 410, San Mateo CA 94402 (650) 342-0300
- Senator Barbara Boxer, 1700 Montgomery Street, Ste 240, San Francisco CA 94111 (415) 403-0100
- Senator Dianne Feinstein, #1 Post Street, Ste 2450, San Francisco CA 94104 (415) 393-0710

CITY OF PACIFICA
CITY COUNCIL AGENDA SUMMARY REPORT

March 7, 2007 Special Meeting

AGENDA ITEM NO. 1

SUBJECT:

AB939 Diversion Requirements

ORIGINATED BY:

Finance Department

DISCUSSION:

The City contracted with Brown Vence & Associates (BVA) to perform a waste generation study to establish a new base year for the City of Pacifica. BVA contacted local businesses, city departments, recyclers and disposal facilities to gather the information necessary to determine if the City had reached the 50% landfill diversion rate required by AB939. Based on the results of the 2004 waste generation study, BVA determined that the City had reached 52% in 2004, a 10% increase in the diversion rate from the rate that was documented in 2001.

However, before these results could be established as a new base year and a 52% diversion rate, the California Integrated Waste Management Board (CIWMB) needed to verify the results of the study.

The CIWMB conducted their verification audits ending in July 2006. Some data in the study was adjusted, augmented or deleted with a result that reduced the original 52% to 42%. Of the more than 28,000 tons of diversion identified, slightly more than 6,000 tons were removed from the overall diversion data.

The City is currently on a time extension to the 50% goal by the end of 2005. Due to failure to meet that goal, the City will not go through the 2003/2004 Biennial Review which would normally have been scheduled for this year. The City's diversion progress will continue to be monitored via the annual reports and compliance will be determined during the 2005/2006 Biennial Review, which should take place around August 2008. In the meantime, it is important that the City's franchisee waste hauler continue to implement new diversion programs and show a "good faith effort" and progress toward disposal reduction. For instance, the City's greenwaste disposal program could be improved by more frequent pickups and more user friendly tote carts.

The City has taken several actions to help create programs to meet the diversion requirements, such as: The City passed an ordinance requiring new developments to provide a recycling area within the project area; the City has developed a policy for Events Recycling, and, the City has developed a side letter to the franchise agreement with Coastsider Scavenger requiring Construction and Demolition recycling. The City issued a certified letter to Coastsider Scavenger dated February 7, 2007 requesting a written program outline designating how the 50% will be attained. We are still awaiting its response.

FISCAL IMPACT:

It is Coastsider Scavenger's obligation, under the franchise contract, to work with the City to comply with the State of California AB939 diversion requirements. Though there have been many extensions to meet the 50% diversion rate, the State, at any time, could begin to levy heavy fines on cities that do not continue to create new programs for diversion and demonstrate a "good faith effort" to reach to desired goal. Coastsider Scavenger would be liable for such fines.

ATTACHMENTS:

BVA Findings (Section 3) and CIWMB Findings

COUNCIL ACTION REQUESTED:

Information only

CITY OF PACIFICA
CITY COUNCIL AGENDA SUMMARY REPORT

March 7, 2007 Special Meeting

AGENDA ITEM NO. 2

SUBJECT:

San Mateo & San Francisco Counties Solid Waste Rates Comparison

ORIGINATED BY:

Finance Department

DISCUSSION:

On September 29, 2006 Staff received the final report of an independently performed survey of solid waste rates and services in San Mateo and San Francisco counties. The survey was performed as an independent research project, with no client contract. The survey was performed by HF&H Consultants, LLC comparing the services and rates provided to 20 cities within San Mateo County during the first and second quarters of 2006. The City of Pacifica's rates , in the category of Residential Rates, was determined to be the highest across the board per the chart below:

Residential Rates as of June 30, 2006

Container Size	Average Rate	Lowest Rate	Highest Rate
30-35 gallons	\$17.15	\$9.17 Menlo Park	\$27.99 Pacifica
60-65 gallons	\$34.49	\$22.71 Menlo Park	\$55.98 Pacifica
90-100 gallons	\$51.16	\$34.07 Menlo Park	\$83.97 Pacifica

In the Commercial Rate category, Pacifica also came in the highest:

Container Size	Pick-Ups Per Week	Average Rate	Lowest Rate	Highest Rate
1 cubic yard	1	\$100.50	\$59.12 Menlo Park	\$237.97 Pacifica
1 cubic yard	3	\$283.59	\$184.45 Menlo Park	\$618.19 Pacifica
3 cubic yards	1	\$224.46	\$159.35 Woodside	\$477.18 SF
3 cubic yards	3	\$671.45	\$398.94 Woodside	\$1,360.05 SF

This information is brought before you in an effort to open up dialog between the City and the Franchisee to discuss performance expectations and operating improvements to bring the City's waste hauler rates more in line with the County averages. One method to reduce the cost to the ratepayers would be to eliminate the profit margin on the tipping fees at it pays at Ox Mountain. Coastside Scavenger is unusual in its method of charging the ratepayers the 8% profit margin on the cost of tipping. It is an industry standard to make this cost a pass-through to the ratepayers. In other words, Coastside Scavenger would charge the ratepayers exactly the same amount that it pays Ox Mountain for tipping fees without the profit margin added. According to the industry standards, it is unusual for a waste hauler to earn an operating ratio on disposal tipping costs for a facility that they do not operate.

FISCAL IMPACT:

None

ATTACHMENTS:

Survey of Solid Waste Rates and Services by HF&H Consultants, LLC

COUNCIL ACTION REQUESTED:

Information Only –Action items are recommended through another agenda item.

CITY OF PACIFICA

CITY COUNCIL AGENDA SUMMARY REPORT

March 7, 2007 Special Meeting

AGENDA ITEM NO. 3

SUBJECT:

Coastside Scavenger – Five Year Review

ORIGINATED BY:

Finance Department

DISCUSSION:

We have received the final results of the five-year review performed by Hilton Farnkopf & Hobson, LLC, (HF&H). The review covered the rate years of 2000-2001, 2001-2002, 2002-2003, 2003-2004, and 2004-2005. A review covering rate years 2005-2006 and 2006-2007 will be performed during the next few months.

Coastside Scavenger was provided with a copy of the draft report and responded point by point to HF&H's findings as seen in the attached final report. This report also covers HF&H's responses to Coastside's comments.

The franchise agreement allows for an 8% profit margin for Coastside Scavenger and 11% of gross revenues as franchise fees to the City.

HF&H found that in each of the five years reviewed, City ratepayers appear to have been overcharged for their services, per the table below:

Rate Year	Coastside Requested/Adopted Rate Increase %	Should have Requested Rate increase of %	Coastside Over charged %	Over Charged \$	Per Household Per Month
2000-01	10.9%	6.43%	3.66%	\$175,500	\$2.34
2001-02	0%	(2.35%)	2.35%	\$134,500	\$1.92
2002-03	13.48%	11.45%	2.03%	\$108,300	\$4.71
2003-04	3.38%	.96%	2.42%	\$127,700	\$.45
2004-05	6.84%	2.38%	2.38%	\$ 88,200	\$1.12
Total				\$634,200	

There appears to have been a net cumulative overcharge of \$634,200 over the five-year period. The \$634,200 amount broke down to two basic issues: First, \$387,000 was charged to the ratepayers for yard waste that was delivered to property (“the Picardo Ranch”) that was held in Trust by Mr. Picardo, the owner of Coastside Scavenger. The ratepayers were charged for this disposal/diversion at the Picardo Ranch, but HF&H was not able to determine why the material was sent to the Picardo Ranch and the \$387,000 charge was not substantiated by invoices or evidence of costs incurred. Therefore, this transaction did not appear to be a fair and proper cost that should be borne by the ratepayers. Coastside’s response to this was that it charged only \$18 per ton to divert this yard waste to Picardo Ranch, which, according to Coastside, was substantially lower than the rate of \$36 per ton charged at Ox Mountain. However, as explained above, HF&H found no such documentation/invoice for the green waste processing at the Picardo Ranch as a payment in the general ledger, so there was no documentation or substantiation for the arbitrary amount charged to the ratepayers.

The second major issue had to do with approximately \$246,000 of costs that should have been charged to the “related party”, Seacoast, but were charged to the City’s ratepayers instead. Coastside Scavenger agreed with all findings by HF&H on the “related party issues”.

The report also found that the owner’s personal vehicle was purchased through the Coastside business and was included as an annual depreciation expense charged to the ratepayers. The adjustment for this unauthorized expenditure is included in the adjustments shown in the table. Coastside Scavenger was in agreement with HF&H’s finding on this.

Coastside did not request a rate increase for rate year 2005-2006. On August 31 2006, Coastside Scavenger delivered a late rate application to the City asking for a 2% increase to the ratepayers. However, upon reconsideration, Coastside wrote a letter dated September 28, 2006, withdrawing the request for a rate increase for rate year 2006-2007.

City Staff has been working closely with Coastside Scavengers’ General Manager to obtain compliance with the franchise agreement in all areas and to ensure mutual understanding of expectations going forward. Considering the above results of the five year review, the City staff recommends that the City Council authorize City Staff to develop and implement strategies to ensure Coastside’s compliance with the franchise and to address historic overcharges to the greatest extent possible, most likely through prospective rate relief.

FISCAL IMPACT:

None

ATTACHMENTS:

Five Year Review Report by HF&H Consultants, LLC

COUNCIL ACTION REQUESTED:

Direct Staff to develop and implement strategies for ensuring Coastside's compliance with the franchise agreement and to address rate relief for the ratepayers, including, but not limited to, exploring the option of a City-initiated rate review. Staff also recommends that the City Council direct staff to notify the appropriate regulatory agencies, such as the CIWMB, of the material that was delivered to the Picardo Ranch.