



DATE: October 29, 2019

CATEGORY: Consent

DEPT.: Public Works

TITLE: **Increase Appropriation for SMaRT Station Fiscal Year 2018-19 Reconciliation**

RECOMMENDATION

Increase appropriations by \$866,700 in the Public Works Department, Solid Waste Management Fund, to pay additional SMaRT® Station expenses for Fiscal Year 2018-19 reconciliation. (Five votes required)

BACKGROUND

The SMaRT® Station provides processing and transfer services for solid waste and recycling collected in Mountain View under a Memorandum of Understanding (MOU) with the Cities of Sunnyvale and Palo Alto. Each year, Sunnyvale prepares a budget with estimated costs for the upcoming fiscal year SMaRT Station operations. Mountain View’s estimated share of expenses is approved by Council with the annual budget. After each fiscal year is closed, Sunnyvale prepares a reconciliation comparing actual costs to the budget. If actual costs are lower than budgeted, Mountain View receives a credit toward the then-current fiscal year expenses. If actual costs are higher than budgeted, Mountain View pays the additional amount with the first-quarter payment for the then-current fiscal year expenses.

The results of the reconciliation for the last five fiscal years are shown below:

Fiscal Year	Amount	Reconciliation
2017-18	\$386,760	Payment owed
2016-17	(\$133,330)	Refund received
2015-16	(\$323,150)	Refund received
2014-15	\$118,930	Payment owed
2013-14	(\$174,159)	Refund received

ANALYSIS

The Fiscal Year 2018-19 reconciliation has been completed by the City of Sunnyvale and Mountain View's expenses are \$866,700 more than budgeted. Actual expenses came in much higher than originally anticipated when the budget was prepared due to more tons of waste sent to landfill (50,740) compared to what had been projected (41,380). This occurred for the following reasons:

- Construction activity in Mountain View remains very high. The amount of construction and demolition tons collected by Recology in Fiscal Year 2018-19 was 30 percent more than Fiscal Year 2017-18 and 70 percent more than Fiscal Year 2016-17. More than half of the additional landfill disposal expense, approximately \$477,000, is due to increased collection of construction and demolition debris. These expenses are offset by additional revenue received.
- Overall diversion of material from the waste delivered to the SMaRT Station was less (24.7 percent) than projected (31 percent). The SMaRT Station operator had difficulties contracting qualified drivers to deliver all the recovered fines (small pieces of mostly food and yard debris captured during mechanical sorting) to the composting facility located in Gilroy. As a result, some of the fines were placed on the trucks headed to the landfill. The disposal of the fines was attributed to each city according to the percentage of waste delivered to the SMaRT Station, so each city had increased costs as a result. The operator currently has an agreement with the processor to deliver fines to the anaerobic digester located in San Jose, which allows for faster trip turnaround, which will help minimize the disposal of fines. We have identified this as an issue to address in future contract negotiations.

The increased tons to landfill resulted in a decrease in the City's overall diversion rate, from 78 percent to 75 percent. Staff expects that the City will be able to improve our diversion rate through implementation of the Zero Waste Plan, which is scheduled for Council adoption at this meeting.

The Fiscal Year 2019-20 SMaRT Station budget includes the higher level of tonnage we are currently experiencing based on construction activity (48,750 tons assumed and disposed of). SMaRT Station costs are increasing 16 percent in total for Fiscal Year 2019-20 and 4.55 percent after adjusting for tonnage increases that have associated revenue.

FISCAL IMPACT

The Solid Waste Management Fund's balance as of June 30, 2019 is \$9 million and includes revenues collected from construction and demolition debris box services. An

appropriation of \$866,700 from the Solid Waste Management Fund will reduce the available balance to \$8.2 million.

ALTERNATIVES

- Do not approve the additional appropriation for the SMaRT Station Fiscal Year 2018-19 reconciliation.
- Provide other direction to staff.

PUBLIC NOTICING – Agenda posting.

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LT/TS/1/CAM
944-10-29-19CR-1
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cc: SWPM, APWD – Cameron