

Town of Atherton

Presentation on Withdrawal from SBWMA

Where we are in the process for withdrawal?

- Notification to SBWMA of Withdrawal at least 6-months prior to end of the current Rate Year specifying a date of intent
- Liquidation of existing debts, obligations, and liabilities incurred, earned, or expected to be earned by the date of withdrawal, including Revenue Bonds, as determined by Board. Note: The Revenue Bonds defined within the JPA Agreement are specifically noted as the 2009 Bonds.
- Approval by 4/5ths vote of Equity Members
- Letter issued on June 30, 2020
- Agreement on Liquidation of Debts Pending Negotiation
- Approval by 4/5ths vote of Equity Members - Pending

Why does Atherton want to Exit the JPA?

- Atherton joined the SBWMA to obtain the benefits of economies of scale and achieve a reduced cost for waste services.
- As it stands now, it costs our residents MORE to provide refuse services through the SBWMA than if we contracted separately.
- Atherton is 99% residential. The 1% remainder is a private tennis/swim club, 2 private schools and Menlo College.
- Atherton has been 100% built-out since before 2000 and is not growing.
- The Town no longer fits the land-use and waste stream demographic of the larger, and more diverse members of the SBWMA.

Atherton as compared to Overall SBWMA

Waste Stream Tonnages (368,792)

Commercial & Multi-Family make up 51.2% of total SBWMA waste stream in 2019

Type	Atherton	SBWMA	% of Waste Stream	Atherton's %
Commercial Solid Waste	376	85,215	23.1%	0.4%
Commercial Recyclables	183	28,370	7.7%	0.6%
Commercial Organics	416	31,111	8.4%	1.3%
Multi-Family Solid Waste	0	33,705	9.1%	0%
Multi-Family Recyclables	0	9,451	2.6%	0%
Multi-Family Organics	0	1,158	0.3%	0%
Residential Solid Waste	1,767	59,998	16.3%	2.9%
Residential Recyclables	1,351	38,878	10.5%	3.5%
Residential Organics	7,855	80,906	21.9%	9.7%

Atherton as compared to Overall JPA Tonnage Processed at Shoreway

Type	Atherton	Shoreway 2018	% of Total
Municipal Solid Waste	376	221,593	0.16%
Recyclables	183	79,446	0.2%
Organics	416	120,427	0.3%
Total	975	421,466	

Atherton is less than 1/2 a percent in every category.

Issues and Concerns

- In 2019, the SBWMA sought to take on additional debt to make “capital investment improvements” to the Shoreway Facility. These improvements were largely to address the recycling of commercial and multi-family waste streams, which are significantly below the State-mandated goals.
- The Atherton Council supported refinancing of existing debt but formally opposed the effort to take on that additional debt.
- More than half of the SBMWA waste stream demographic is commercial and multi-family. Atherton represents just over 2% of that entire waste stream.
- Of the more than 421,000 tons processed at the Shoreway Facility, Atherton represents less than 0.2%.

Issues and Concerns

- Atherton's waste stream is no longer representative of the primary waste stream processed by the SBWMA.
- As the SBWMA continues to address the service priorities of its larger and more diverse member agencies, Atherton residents end up subsidizing those costs and do so without benefit. Others may eventually find themselves in the same spot.
- If Atherton continues as a member of the SBWMA, residents will be forced to continue underwrite programs, services, and capital investment for multi-family and commercial customers as part of their collection rates. This does not meet any Nolan/Dolan, Proposition 218 or other nexus test.

Issues and Concerns

- SBWMA staff is recommending that Atherton's cost to withdraw be in excess of the Town's actual fair share.
- The Town has offered expert opinion providing an equitable analysis of exit costs at \$903,623 based on its proportionate share of debt and liabilities when it joined the SBWMA.
- As the Town's diversion rate already far exceeds what's required, the Town gains little, if anything, from any new MRF capabilities.
- Atherton is a 100% built-out residential community and the benefits of capital investments to expand the Shoreway Facility will not provide benefit to our community.

Issues and Concerns

- Atherton clearly recognizes the full participation and benefits of the initial bond funding, which developed the Shoreway Facility.
- Atherton also recognizes that the SBWMA Agreement articulates exit costs only related to repayment of the initial *Series 2000 Revenue Bonds*, as a defined term.
- It is also arguable that the SBWMA stands alone in any future debt incurred as well as retains ownership of the assets and reserves built by the financial support of its member agencies.
- The Town believes its offer of exit is fair and reasonable, even when looking at a straight-line percentage allocation of recycling.

Atherton Recycling (tons)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Commercial Recycling	200	154	166	166	178	188	205	215	183
MFD Recycling	0	0	0	0	0	0	0	0	0
Roll-Off Recycling	6.6	0	0.3	0	2	2	0	0	0
Residential Curbside	1281	1332	1373	1428	1408	1444	1419	1439	1351
Total	1488	1486	1539	1594	1588	1634	1624	1654	1534

Conclusion

- Atherton's Bond obligation would, at the very least, be a maximum of 2.1% for the outstanding *initial* bonds.
- The SBWMA's analysis includes the added 2019A and 2019B Bonds.
- If the focus remained on the *initial* bonds, this would lead to a cost of approximately \$670,000 for the Town's withdrawal.
- Applying the % recycling to the new 2019 Bonds, which again, are not being used to support Atherton today nor in the future, raises the cost to the Town to a maximum of \$1 million.
- The Town's offer of \$903,623 remains a reasonable offer of exit based on detailed, expert analysis.

Conclusion

- The Town acknowledges that there will be a cost to exit the SBWMA and that the Town should pay those costs reasonably related to the Town's exit.
- The Town asks that the SBWMA consider the magnitude of the Atherton's waste stream in comparison to the overall JPA and acknowledge that the Town is not a typical member of the SBWMA as the SBWMA has outgrown the Town.
- As a non-typical member, a straight-line exit strategy harms the Town's good faith membership as a founding equity member of the SBWMA helping build what it is today.
- The Town asks that principles of equity, fairness and reasonableness dictate the decision of the Board regarding the Town's exit offer.