

Memo

Thru: Mark Gorman, Municipal Administrator

To: City and Borough of Sitka Assembly

From: Jay Sweeney, Chief Financial and Administrative Officer

Date: October 21, 2015

Re: Necessity for Awarding Solid Waste Disposal Contract Prior To Introduction of Ordinance Increasing Solid Waste User Fees

On October 27th, the Assembly of the City and Borough of Sitka will be asked to accept a proposal for solid waste disposal services, vote to award a contract for such services, and direct the Administrator to develop and execute the written contract form for the services.

In order to pay for the costs associated with the new contract, the City and Borough of Sitka (CBS) must raise solid waste user fees, which is accomplished by ordinance. The reason fees must be raised is that solid waste costs under the new multi-year contract will rise substantially. As the fiscal note in the contract memorandum, states, some component costs associated with the new contract are increasing over 20%.

Why bring a contract award request forward before raising user fees? The answer is that the current contract has expired and the CBS is operating under a month-to-month extension, cancellable by either party with notice. To ensure continued solid waste disposal service, it is important to act now to award the contract.

The solid waste utility has enough working capital to operate under a new contractual cost structure for several months, thus providing time to prepare and vet an ordinance proposing an increase in solid waste user fees. Eventually, however, solid waste user fees must be raised or all of the working capital in the solid waste utility will be expended.