TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JANUARY 22, 2007 CMR: 104:07
SUBJECT: FINANCE COMMITTEE FORWARDING WITHOUT RECOMMENDATION STAFF PROPOSAL TO ESTABLISH A POLICY ON RENT CHARGED BY THE GENERAL FUND TO THE REFUSE FUND ON UNOPENED PORTIONS OF LANDFILL

RECOMMENDATION
The Finance Committee is forwarding to Council without a recommendation, staff’s proposal to establish a policy on rent charged by the General Fund to the Refuse Fund on closed portions of the landfill whereby the Refuse Fund should pay rent at less than full market value in consideration of the fact that the landfill area cannot be readily converted to the land’s highest and best use. The Finance Committee split 2-2 on the staff recommendation. Staff recommends that Council:

1. Establish a policy on rent charged by the General Fund to the Refuse Fund on closed portions of the landfill whereby the Refuse Fund would pay rent at less than full market value in consideration of the fact that the landfill area cannot be readily converted to the land’s highest and best use.
2. Authorize the City Manager to enter into a tolling agreement between the General Fund and the Refuse Fund whereby the statute of limitations in connection with the collection of back rent shall be tolled and suspended during the period that the agreement is in effect.
3. Direct staff to prepare an agreement between the General Fund and the Refuse Fund regarding use of the City-owned landfill.

COMMITTEE REVIEW AND RECOMMENDATIONS
In the City Auditor’s review of the Environmental Services Center proposal, the City Auditor recommended that staff should determine whether the Refuse Fund should be responsible for paying rent on the closed, undeveloped areas of the landfill. The Finance Committee reviewed staff’s original recommendations on December 6, 2005 (CMR:441:05), and recommended that Council adopt a policy whereby the Refuse Fund pay rent on closed portions of the landfill that had not yet been developed into parkland.

On October 17, 2006, staff returned to the Finance Committee with a proposed payment plan whereby the Refuse Fund should pay rent at less than full market value in consideration of the fact that the landfill area cannot be readily converted to the land’s highest and best use.
While a recommendation of the proposed payment plan was placed in abeyance pending further staff investigation per the Committee’s direction, the Finance Committee moved to initiate a tolling agreement between the General Fund and the Refuse Fund.

On December 12, 2006, the Finance Committee considered staff’s recommendation whereby the Refuse Fund should pay rent at less than full market value in consideration of the fact that the landfill area cannot be readily converted to the land’s highest and best use (CMR:440:06). A motion to approve staff’s recommendation resulted in a split vote, 2-2.

PREPARED BY: _______________________________________________________________________

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Director of Administrative Services

CITY MANAGER APPROVAL: ___________________________________________________________________

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ATTACHMENTS:
Attachment A: CMR 440:06 “Recommendation to Establish a Policy on Rent Charged by the General Fund to the Refuse Fund on Unopened Portions of Landfill from Finance Committee Meeting of October 17, 2006”

Attachment B: Tolling Agreement between the City of Palo Alto and the City of Palo Alto’s Refuse Fund