



City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 3/20/2012

Report Type: Staff/Discussion

Title: Report on Solid Waste Residential and Commercial Services Business Plan Recommendations and Implementation

Report ID: 2012-00025

Location: Citywide

Recommendation: Pass a Resolution: 1) discontinuing solid waste and recyclables collection services to commercial properties by October 1, 2012; 2) repealing Resolution No. 95-616 and Resolution No. 96-253 pertaining to commercial garbage programs; 3) directing staff to pursue residential solid waste service option changes, including a community input process and report to Council in 90 days; 4) appointing a three-member City Council Ad Hoc Committee on Solid Waste to provide policy guidance to City staff on the implementation of the business plan recommendations; 5) transferring the Illegal Dumping collection program from the Community Development Department (CDD) to the Department of General Services, Solid Waste Division ("Division"); and 6) authorizing the City Manager or the City Manager's designee to amend the Fiscal Year (FY) 2011/12 Solid Waste operating budget (Fund 6007) by \$170,000 to fund the collection of illegal dumping for the remainder of FY2011/12.

Contact: Steve Harriman, Integrated Waste General Manager, (916) 808-4949,

Presenter: Steve Harriman, Integrated Waste General Manager, (916) 808-4949; Reina J. Schwartz, Director, Department of General Services, (916) 808-7195

Department: General Services Dept

Division: Solid Waste Administrative Svc

Dept ID: 14001711

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-Attachment 1 Presentation

City Attorney Review

Approved as to Form
Janeth D. San Pedro
3/14/2012 2:50:03 PM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
3/5/2012 3:11:21 PM

Approvals/Acknowledgements

Department Director or Designee: Reina Schwartz - 3/13/2012 11:15:44 AM

Description/Analysis

Issue: The April 2011 Department of Utilities (DOU) Operational Efficiency and Cost Savings Audit identified the following issues with City Solid Waste Division (“SW Division”) collection services:

- Highest customer rates in the Sacramento region;
- Significant customer confusion;
- Inefficiencies of operating a hybrid yard waste collection program;
- Measure A limitation;
- High contamination rate in the residential recycling materials; and
- Funding and efficiency issues with the Division’s commercial collection programs.

The audit recommended that the SW Division implement a new business plan that meets the following goals and objectives:

- Stabilize current residential customer rates for a minimum of three years;
- Reduce carbon emissions, fuel consumption, pavement impacts, and mileage driven on City streets by collection vehicles;
- Provide uniform, convenient, and easily understandable programs;
- Comply with waste diversion mandates and all applicable health and safety requirements; and
- Provide sufficient yard waste collection services for all City neighborhoods throughout the year.

In October 2011, the SW Division engaged industry leader HFH Consultants to assist with the development of a business plan strategy that includes specific service recommendations for the following areas:

1) Commercial Waste Collection:

In 1995, the City Council adopted Resolution No. 95-616 directing staff to develop a strategy for competing with the private sector for commercial solid waste collection services. In 1996, the City Council adopted Resolution 96-253 authorizing staff to individually negotiate rates with commercial customers. Since then and with the passage of Proposition 218, the SW Division’s market share of commercial services within the city limits has fallen to less than 8 percent as a result of increased competition and lower pricing from private haulers. Due to the cost of service limitations of Proposition 218, the City is unable to provide pricing to become competitive in the local marketplace. Therefore, staff recommends discontinuing solid waste and recyclables collection services to commercial properties, including City Departments and facilities, effective October 1, 2012. There are currently 820 commercial customer accounts serviced by the SW Division.

2) Residential Waste Collection:

In an effort to stabilize rates, reduce the City’s carbon footprint, and provide convenient and easily understandable programs, the SW Division proposes the following services:

- Containerized Yard Waste: Citywide weekly collection
- Seasonal Leaf Collection Program: Citywide loose-in-the-street collection during “leaf season” (November-January)
- Neighborhood Cleanup Program: Collection during non-leaf season (February – October)

- Curbside Recycling: Citywide bi-weekly collection

In addition to the recommendations included in the business plan, staff proposes the following:

- Establishing a three-member City Council Ad Hoc Committee on Solid Waste to provide policy guidance to staff on the implementation of the business plan recommendations; and
- Transferring the illegal dumping collection program back to the SW Division from the Community Development Department (CDD) and fund with non-Solid Waste customer rate revenue.

Staff's recommendations are detailed in the *2012 Business Plan for the Solid Waste and Recycling Division* in Attachment 1.

Policy Considerations:

Commercial Waste Collection:

The City Council has discretion to establish service levels for solid waste programs provided by the SW Division. When setting service levels, the decrease in collected waste tonnage must also be considered. The Amended Service Agreement with BLT Enterprises approved by the City Council in November 2010 (Resolution No. 2010-660) and assigned to Waste Management Inc. in November 2011, requires a minimum of 117,000 tons per year of waste be delivered to the Sacramento Recycling and Transfer Station (SRTS). Even with the discontinuation of commercial collection, tonnage data from FY 2008/09 to present suggest that the SW Division will continue to deliver at least the minimum tonnage to SRTS, but not by a significant amount.

Residential Yard Waste Collection:

Measure A must be repealed by City voters in order to fully implement the proposed seasonal leaf collection program, which is intended to work in conjunction with mandatory containerized yard waste collection. Measure A, an initiative ordinance passed by City voters in 1977, prohibits the City from requiring containerized yard waste collection. If the Measure A repeal is successful, the City Council will have the discretion to direct staff to implement the proposed programs. SW staff intends to engage in a community input process for the proposed programs and report to Council within 90 days.

Environmental Considerations:

California Environmental Quality Act (CEQA): The Environmental Planning Services manager has determined that the recommendations in this report are exempt from CEQA pursuant to Section 15061(b)(3) of the CEQA Guidelines, which exempts approval of an activity where there is no possibility that the activity in question may have a significant effect on the environment.

Sustainability: Implementation of the proposed residential solid waste programs is consistent with the Sustainability Master Plan goal to reduce carbon dioxide emissions and lower the City's carbon footprint by reducing the number of collection vehicles. The implementation of the recommended service level changes will reduce carbon emissions generated by the City's solid waste fleet by an estimated five percent, fuel consumption by 83,000 gallons, and truck miles by 87,000 per year on City streets.

Transferring the Illegal Dumping program from CDD to the SW Division will ensure the continuation of this critical function and further promote the City's sustainability and livability goals by significantly reducing blight throughout the city.

Commission/Committee Action: None

Rationale for Recommendation:

Commercial Collection:

Discontinuing commercial solid waste and recyclables collection is recommended for the following reasons:

- Under Proposition 218, the SW Division may no longer negotiate rates with individual customers, and must charge published rates that recover the actual cost of providing collection services. This creates a significant disadvantage in the City's ability to compete with private waste haulers for commercial collection business.
- Continuing commercial collection services would require a significant rate increase in order to recover the actual cost of service. A large rate increase would provide further incentive for current customers to leave City service and engage a private hauler.

Residential Collection:

The proposed changes stabilize customer rates by achieving efficiencies in the collection of recyclables and yard waste. Additional benefits include the following:

- Reducing customer confusion by providing a uniform yard waste collection program citywide;
- Reinstating the popular neighborhood cleanup program that was suspended during FY2009/10 budget cuts;
- Improving public education and outreach with the goal of reducing contamination and increasing diversion from landfills; and
- Reducing the number of refuse trucks, which improves the appearance and safety of City streets, reduces street maintenance costs, and lowers greenhouse gas emissions.

Solid Waste Ad Hoc Committee:

Establishing a City Council Ad Hoc Committee will provide policy guidance to SW staff during the implementation of the business plan recommendations.

Illegal Dumping:

Illegal dumping collection is a critical program for the City and transferring responsibility to the SW Division is consistent with existing workflow and maximizes collection efficiencies. The recommendation to establish a sustainable funding stream compliant with Proposition 218 will ensure the continuation of this program.

Financial Considerations:

Commercial Services:

Discontinuing the commercial collection service program will result in a decrease in SW Fund (Fund 6007) revenue by approximately \$3.15 million annually, with a net decrease in General Fund (Fund 1001) revenue of an estimated \$25,000 - \$125,000 annually, as summarized below.

| Fund Source | Annual General Fund Revenue |
|--------------------------------------------------------------------------|------------------------------------|
| Estimated Decrease in General Fund Tax from Solid Waste Enterprise (11%) | (\$400,000) |
| Estimated Increase in Solid Waste Authority (SWA) Franchise Fees (8%) | \$175,000 - \$225,000 |
| Estimated Reduction in Cost for Solid Waste Services to City Facilities | \$100,000 - \$150,000 |
| Estimated Net Loss in General Fund Revenue | (\$25,000) – (\$125,000) |

Additionally, a total of 11.00 FTE will be eliminated through the discontinuation of Commercial Services. The intent of the SW Division is to address employee reductions through attrition.

Residential Services:

Under the proposed residential solid waste collection programs, while it may be necessary to adjust rates for specific solid waste services, it is anticipated that there will be no increase in the total amount of the rates paid by residential customers for solid waste services for the next three years. Any rate adjustments proposed for specific services that require written notice to ratepayers and a public hearing under Proposition 218 will be presented to the City’s Utilities Rate Advisory Commission in accordance with the City’s procedures governing utility rate adjustments. The stabilization of customer rates will be partially accomplished with the implementation of the bi-weekly curbside recycling program, which will eliminate a total of 7.00 FTE. The intent of the SW Division is to address employee reductions through attrition.

Illegal Dumping:

The illegal dumping collection program requires a sustainable funding stream that is compliant with Proposition 218. The following proposed funding plan for illegal dumping will begin in FY2012/13:

- General Fund or SWA Franchise Fees - \$400,000
- Recyclables sales revenue - \$200,000
- Landscape and Lighting funds - \$100,000
- Gas Tax - \$100,000 (in-kind services)

SW staff will work with the Solid Waste Authority (SWA) Board to implement a 2 percent franchise fee increase for commercial waste haulers, from the current 8 percent to 10 percent. The proposed fee increase will generate approximately \$400,000 to fund the illegal dumping program. If implemented, the SWA revenue will replace the General Fund contribution and staff will return to the City Council at FY2012/13 mid-year to amend the budget.

This funding proposal will support two illegal dumping crews covering the City. For the remainder of FY2011/12, the Solid Waste operating budget is recommended to be augmented by \$170,000 to support the program.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this report.



RESOLUTION NO. 2012-XXXX

Adopted by the Sacramento City Council

March 20, 2012

APPROVE CHANGES TO SOLID WASTE COLLECTION SERVICES; CREATE A CITY COUNCIL SOLID WASTE AD HOC COMMITTEE; AND TRANSFER THE ILLEGAL DUMPING PROGRAM FROM THE COMMUNITY DEVELOPMENT DEPARTMENT TO THE DEPARTMENT OF GENERAL SERVICES

BACKGROUND

- A. In April 2011, the Department of Utilities (DOU) Operational Efficiency and Cost Savings Audit recommended that the Solid Waste Division (“Division”) implement a new business plan to address recommendations outlined in the audit and additional potential efficiencies and service changes.
- B. The Division engaged industry leader HFH Consultants to assist with developing a strategy that includes specific service recommendations, including:
- Discontinuing City-provided commercial trash and recycling collection services;
 - Adjusting residential collection service levels to make operations more efficient and maximize service with minimal rate changes;
 - Creating a three-member City Council Ad Hoc Committee on Solid Waste (SW) to provide policy guidance for these changes; and
 - Transferring the illegal dumping collection program from the Community Development Department to the Department of General Services.
- C. The City Council has discretion to set service levels for solid waste services. In 1995, the City Council adopted Resolution No. 95-616 directing staff to develop a strategy for competing with the private sector for commercial solid waste collection services. In 1996, the City Council adopted Resolution No. 96-253 authorizing staff to individually negotiate rates with commercial customers. Since that time and with the passage of Proposition 218, the Division’s market share of the commercial services has fallen to less than 8 percent as a result of increased competition and lower pricing from private haulers. Due to the cost of service limitations under Proposition 218, the City is unable to provide pricing to become competitive in the local marketplace.
- D. In an effort to make operations more efficient and maximize service with minimal rate changes, the Division is proposing service level adjustments to the residential collection service program as follows: year-round weekly containerized yard waste collection service, with loose-in-the-street (LITS) collection citywide only during leaf season (November-January); appointment-based Neighborhood Cleanup Program (February-October) to provide one bulky collection annually per household; and bi-weekly curbside recycling collection service. In order to fully implement the revised

residential collection programs, Measure A, an initiative ordinance adopted in 1977 prohibiting the City from requiring the containerized collection of yard waste, must be repealed by City voters.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1: Discontinuing solid waste and recyclables collection services to commercial properties by October 1, 2012, is approved.
- Section 2: Resolution No. 95-616 and Resolution No. 96-253 are repealed.
- Section 3: Staff is directed to pursue proposed residential solid waste service option changes, including a community input process and report to City Council within 90 days.
- Section 4: The City Manager is directed to initiate creation of a three-member City Council Ad Hoc Committee on Solid Waste to provide policy guidance to City staff for implementing the proposed business plan.
- Section 5: The Illegal Dumping collection program is transferred from the Community Development Department to the Department of General Services, Solid Waste Division.
- Section 6: The City Manager or the City Manager's designee is hereby authorized to amend the SW FY2011/12 (Fund 6007) operating budget by \$170,000 to fund the collection of illegal dumping for the remainder of FY2011/12.



2012 Business Plan Presentation

Solid Waste *and Recycling* Division



Presented by:
Steve Harriman
Integrated Waste General Manager

March 20, 2012



Four-Part Presentation

1. Background
2. Commercial programs
3. Residential programs
4. Proposed Funding Plan for Illegal Dumping program



1 | Background: SWD by the Numbers

- **160** full-time employees
- **110** collection vehicles
- **\$64 million** in annual revenue
- **124,000** residential / 820 commercial customers
- **241,000** tons collected annually (50% diversion)
- **19 million** cans collected annually!



2 | Commercial: History of System

Prior to 1995

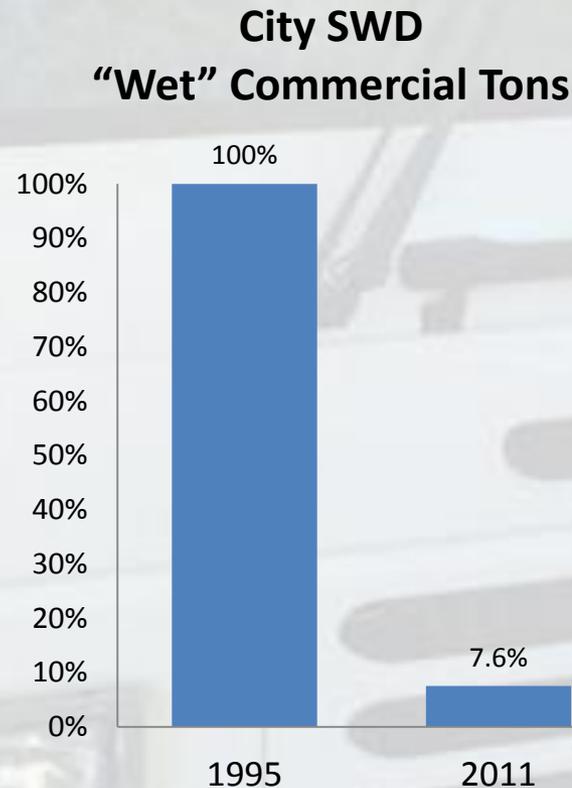
- City had exclusive rights
- 100% of accounts

1995

- Council decision to allow competition
- Joined Solid Waste Authority (SWA)
- Non-exclusive system

2012

- City and 16 SWA haulers
- < 5% of SWRD annual revenue



2 | Commercial: Staff Recommendations

Staff Recommendation:

- Discontinue commercial waste collection and recycling services by Solid Waste and Recycling Division:
 - City facilities
 - Commercial/multi-family accounts



2 | Commercial: Stop Service



Advantages:

- Allows City to focus on primary mission: residential services
- Avoids needed 37% rate increase for Prop 218 compliance
- Potentially lower solid waste costs for City facilities
- No change to Sacramento Solid Waste Authority (SWA)



Disadvantages:

- Reduced revenue to General Fund up to \$125k
- Eliminates 11.00 Full-Time-Equivalent (FTE) positions



Part 3

Residential Service Options



3 | Residential: Current Status

- Highest customer rates in the region
- Customer confusion
- Inefficient yard waste programs
- Measure A limitation to change programs



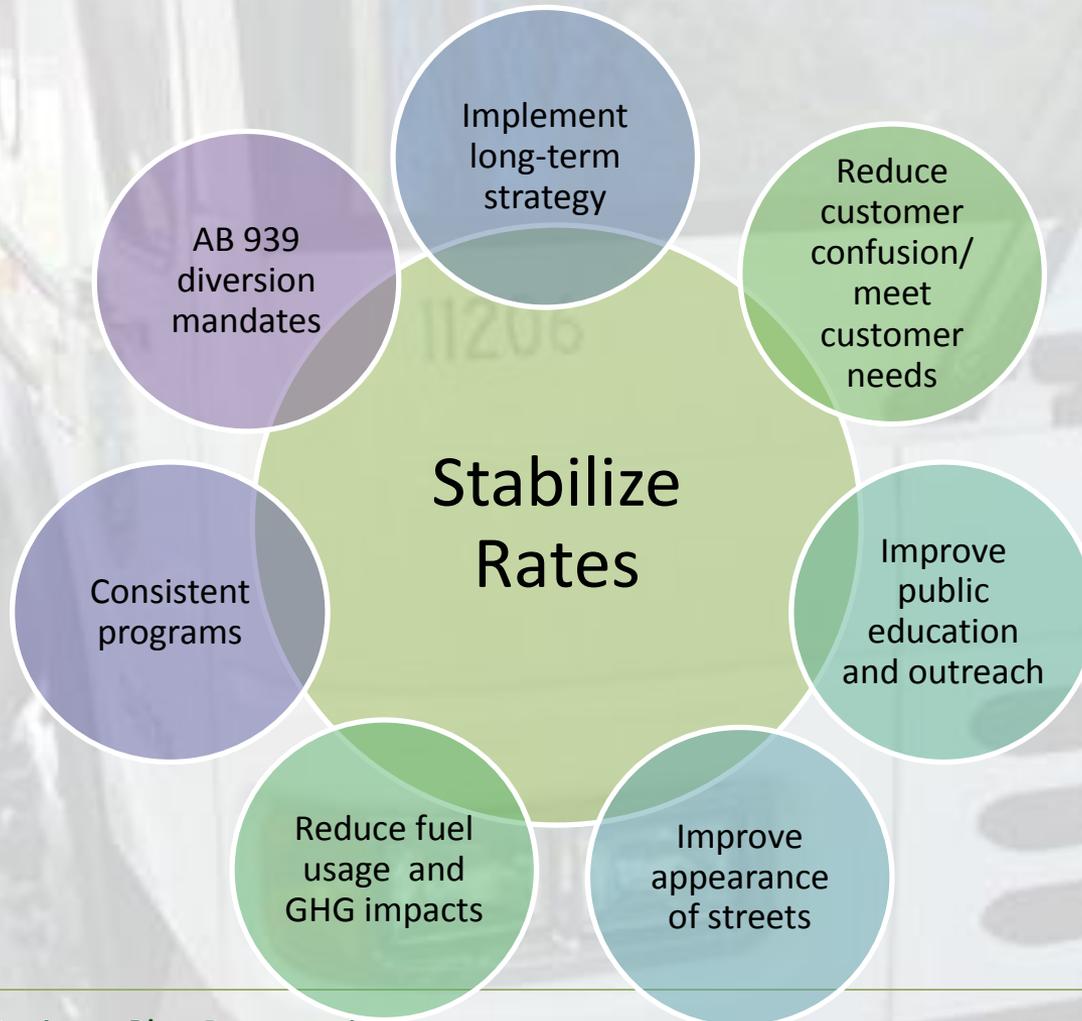
3 | Residential: Customer Rates

Why Are Customer Rates High?

- High disposal costs
- 11% General Fund tax
- Higher service levels than neighboring jurisdictions
- High employee costs



3 | Residential: Goals for New Service Package



3 | Residential: Proposed Service Package

| | Current Services | Proposed Services |
|--------------------------------------------------|-----------------------------------------------------|-----------------------------------|
| Garbage | Weekly | Weekly |
| Recyclables | Weekly | Biweekly |
| Containerized yard waste collection | Weekly on subscription basis ~ 93% | Weekly Citywide 100% |
| Loose-in-the-street (LITS) yard waste collection | Periodic on subscription basis ~ 7% of customers | Citywide Nov, Dec and Jan |
| Neighborhood Cleanup Program | Suspended | Feb thru Oct Appointment based |
| Public education | Limited and not well defined | New focused approach |



3 | Residential: Curbside Recycling Comparison

| Jurisdiction | Weekly Curbside Recycling | Bi-weekly Curbside Recycling |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| City of Sacramento |  <i>Recommendation</i>   | |
| Sacramento County | |  |
| Citrus Heights | |  |
| Elk Grove | |  |
| Folsom | |  |
| Rancho Cordova | |  |



3 | Residential: Bi-Weekly Curbside Recycling



Advantages:

- Saves approximately \$1 million annually
- Saves 83,000 gallons of fuel annually
- Reduces 87,000 miles driven on City streets annually
- Eliminates 186 tons of GHG emissions (~750 cars)



Disadvantages:

- Less convenient
- Some customers will need 2nd recycling can
- May reduce recycling tonnage
- Eliminates 7.00 FTE



3 | Residential: Yard Waste Hybrid System



3 | Residential: Proposed Yard Waste Program

| | City Proposed Program | | |
|--------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| | <i>Bi-weekly</i> Can Collection Year-Round | <i>Weekly</i> Can Collection Year-Round | Citywide Loose In The Street Nov, Dec, Jan |
| City of Sacramento | |  |  |
| Sacramento County |  | | |
| Citrus Heights |  | | |
| Elk Grove |  | | |
| Folsom |  | | |
| Rancho Cordova |  | | |



3 | Residential: Yard Waste Proposal



Advantages

- Provides highest service level in the region
- Provides uniform Citywide yard waste program
- Allows return of Neighborhood Cleanup Program
 - February through October
- Simplifies collection, billing and customer service
- Eliminates large rate increase for LITS Program



Disadvantages

- Eliminates customer choice of programs



3 | Residential: Measure A Repeal

- Initiative ordinance passed in 1977
- Prohibits City Council from *requiring* containerized yard waste collection
- Repeal only by majority public vote
- *Repeal is necessary to implement proposed program changes*



3 | Residential: Proposed Appointment Based Neighborhood Cleanup Program



Appliances



Large Yard Waste



Furniture



Mattresses



3 | Residential: Neighborhood Cleanup Program

- Program suspended due to budget cuts in FY2010.
- Proposal to operate program February thru October
- Appointment based provides excellent customer service
- Once per year - 5 cubic yard limit
- *May reduce illegal dumping!*

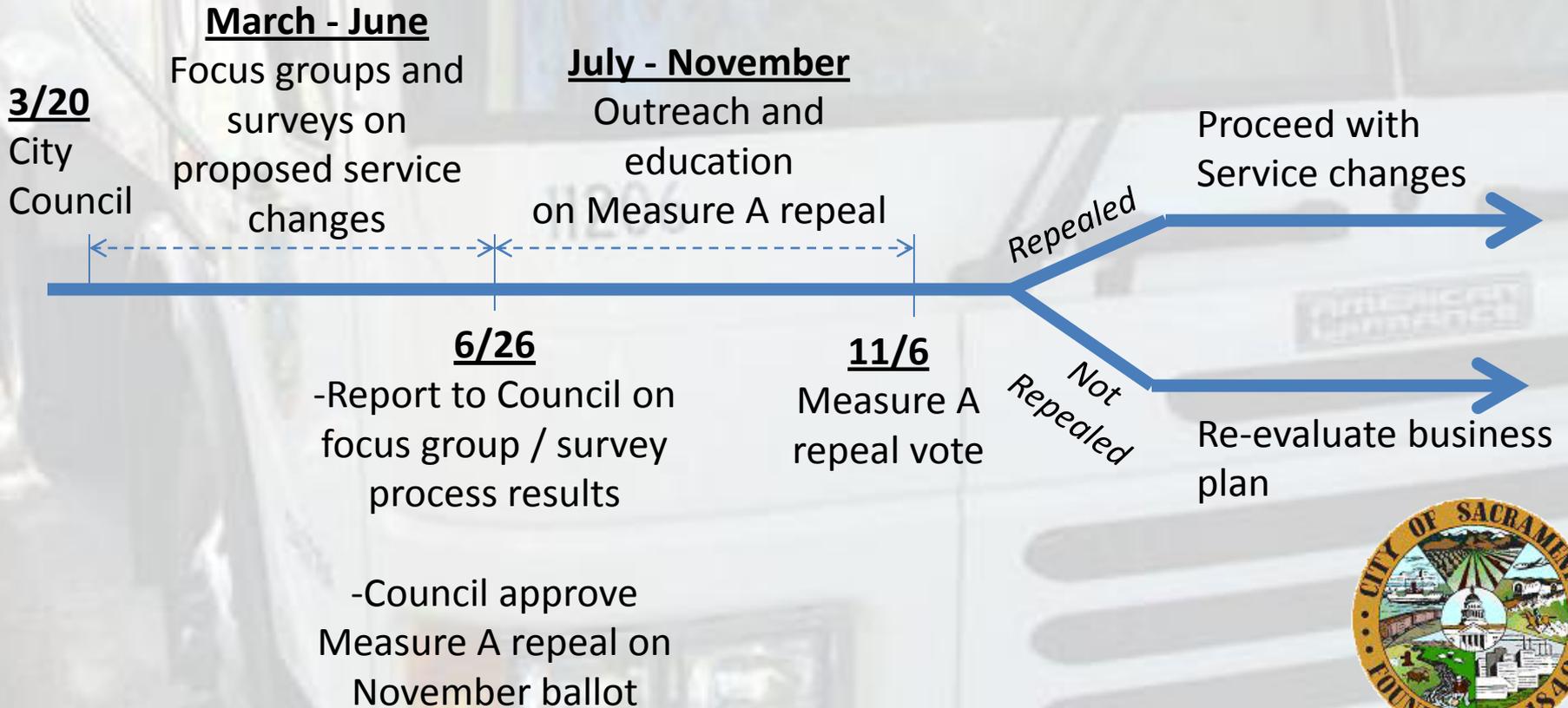


3 | Residential: Rate Impacts

- No net change in overall customer rate for a single family home through June 30, 2015.



3 | Residential: 2012 Roadmap



Part 4 Illegal Dumping



4 | Illegal Dumping: Proposed Funding for FY13

Current

FY12

**General Fund
\$400K**

**\$800,000 proposed funding provides two full-time crews for the illegal dumping program*

Proposed*

FY13

**SWA Franchise Fees
\$400K**

**Recyclables
\$200K**

**L & L
\$100K**

**Gas Tax
\$100K**



4 | Conclusion

- Questions
- Comments

