



# REPORT TO Utilities Rate Advisory Commission City of Sacramento

1395 35<sup>th</sup> Ave. Sacramento, CA 95822  
[www.cityofsacramento.org/utilities](http://www.cityofsacramento.org/utilities)

**Discussion Calendar**  
**May 23, 2012**

**Honorable Chair and Members of Utilities Rate Advisory Commission**

**Title: Report on 2012 Business Plan for the Solid Waste and Recycling Division**

**Location/Council District:** (Citywide)

**Recommendation:** Receive and file

**Contacts:** Steve Harriman, Integrated Waste General Manager, 808-4949  
David Levine, Support Services Manager, 808-7943

**Presenter:** Steve Harriman, Integrated Waste General Manager

**Department:** General Services

**Division:** Solid Waste and Recycling

**Organization No:** 14001711

## **Description/Analysis**

**Issue:** The April 2011 Department of Utilities (DOU) Operational Efficiency and Cost Savings Audit identified the following issues with the City's Solid Waste and Recycling 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 to revise the current hybrid yard waste collection program;
- High contamination rate in the residential recycling materials; and
- Funding and efficiency issues with commercial collection programs.



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In response to the audit findings, the SW Division developed a business plan with the following 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:

### Commercial Waste Collection

In 1995, 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, City Council adopted Resolution No. 96-253 authorizing staff to individually negotiate rates with commercial customers. However, the passage of Proposition 218 eliminated the ability of City staff to negotiate rates with individual commercial customers. Accordingly, the SW Division's market share of commercial services within the city limits has fallen to less than 8 percent of the total tons collected in 2011.

On March 20, 2012, City Council directed staff to initiate the process for discontinuing solid waste and recyclables collection services to commercial and multi-family properties, including City facilities. Staff has notified commercial and multi-family property owners that their City service will cease on June 30, 2012 and to engage a new service provider. On May 4, 2012, the City issued an Invitation for Bid for solid waste and recycling services to City facilities, and staff anticipates a contract to be effective on October 1, 2012.

### 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 proposed the following service level changes on March 20, 2012 to City Council for consideration:



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- Containerized Yard Waste: Citywide, weekly collection;
- Seasonal Leaf Collection Program: Citywide loose in the street collection during “leaf season” from November through January;
- Neighborhood Cleanup Program: Appointment based collection program from February through October; and
- Curbside Recycling: Citywide bi-weekly collection

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

On March 20, 2012, City Council directed staff to engage in a community outreach process and report back in June 2012.

To implement the proposed changes, Measure A, an initiative ordinance passed in 1977 prohibiting the mandatory containerization of yard waste, must be repealed. As part of the June 2012 report back, the SW Division will request City Council authorization to place the repeal of Measure A on the November 6, 2012 general election ballot. If successful, the repeal of Measure A will allow City Council to direct staff to implement the services described above.

### **Rational for Recommendation:**

#### Commercial Collection

Discontinuing commercial solid waste and recyclables collection is recommended because under Proposition 218, the SW Division is prohibited from negotiating rates with individual customers and must charge published rates that recover the actual cost of providing collection services to each commercial customer. This creates a significant disadvantage in the City’s ability to compete with private waste haulers.

#### 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;
- Improving public education and outreach with the goal of reducing contamination and increasing landfill diversion;
- Reducing the number of refuse trucks, which improves the appearance and safety of City streets, reduces street maintenance costs, and lowers greenhouse gas emissions; and



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- Reinstating the popular neighborhood cleanup program that was suspended during FY2009/10 budget cuts which may help reduce illegal dumping.

### Illegal Dumping Collection

Illegal dumping collection is a critical program for the City. On March 20, 2012, City Council supported staff's recommendation to transfer collection responsibility from the Community Development Department to the SW Division as it is consistent with existing workflow and maximizes collection efficiencies.

### **Financial Considerations:**

#### Commercial Services

A 37 percent rate increase would be needed to recover the actual cost of service if the SW Division were to continue to provide commercial collection services. A large rate increase would provide further incentive for current customers to leave City service and engage a private hauler. A total of eleven employee positions will be eliminated as a result of 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, it is anticipated that there will be no overall solid waste rate increase for the next three years. 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 employee positions. The intent of the SW Division is to address employee reductions through attrition.

Staff will return to the Utilities Rate Advisory Commission (URAC) after the November 6, 2012 general election to address potential rate adjustments between lines of service that may result from the Measure A vote.

#### 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 and will support two illegal dumping crews covering the City:



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

On May 10, 2012, the Solid Waste Authority (SWA) Board implemented a 2 percent franchise fee increase for commercial waste haulers, from the current 8 percent to 10 percent. The fee increase will generate approximately \$400,000 to fund the illegal dumping program.

Respectfully Submitted by: \_\_\_\_\_

Steve Harriman  
Integrated Waste General Manager

**Attachments**  
Staff Presentation



# 2012 Business Plan Presentation

## Solid Waste *and Recycling* Division

Presented by:  
Steve Harriman  
Integrated Waste General Manager

Utilities Rate Advisory Commission  
May 23, 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

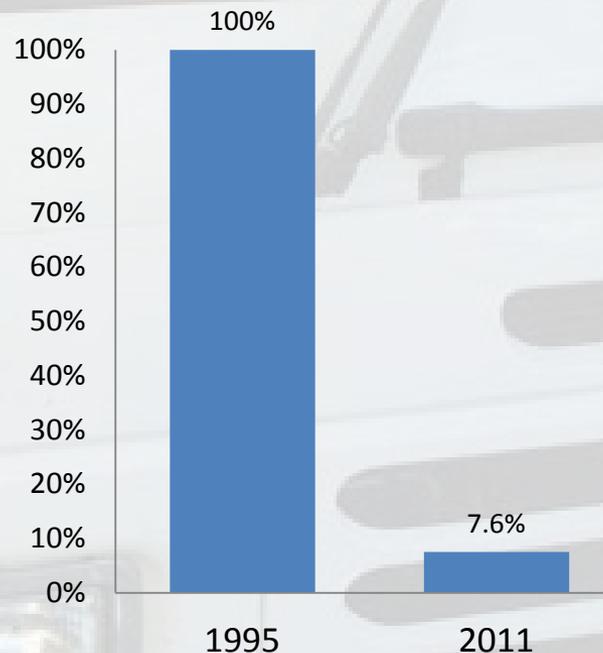
### 1995

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

### 2012

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

**City SWD  
“Wet” Commercial Tons**



## 2 | Commercial: Multiple Haulers



Extensive competition for commercial trash within the City of Sacramento



## 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

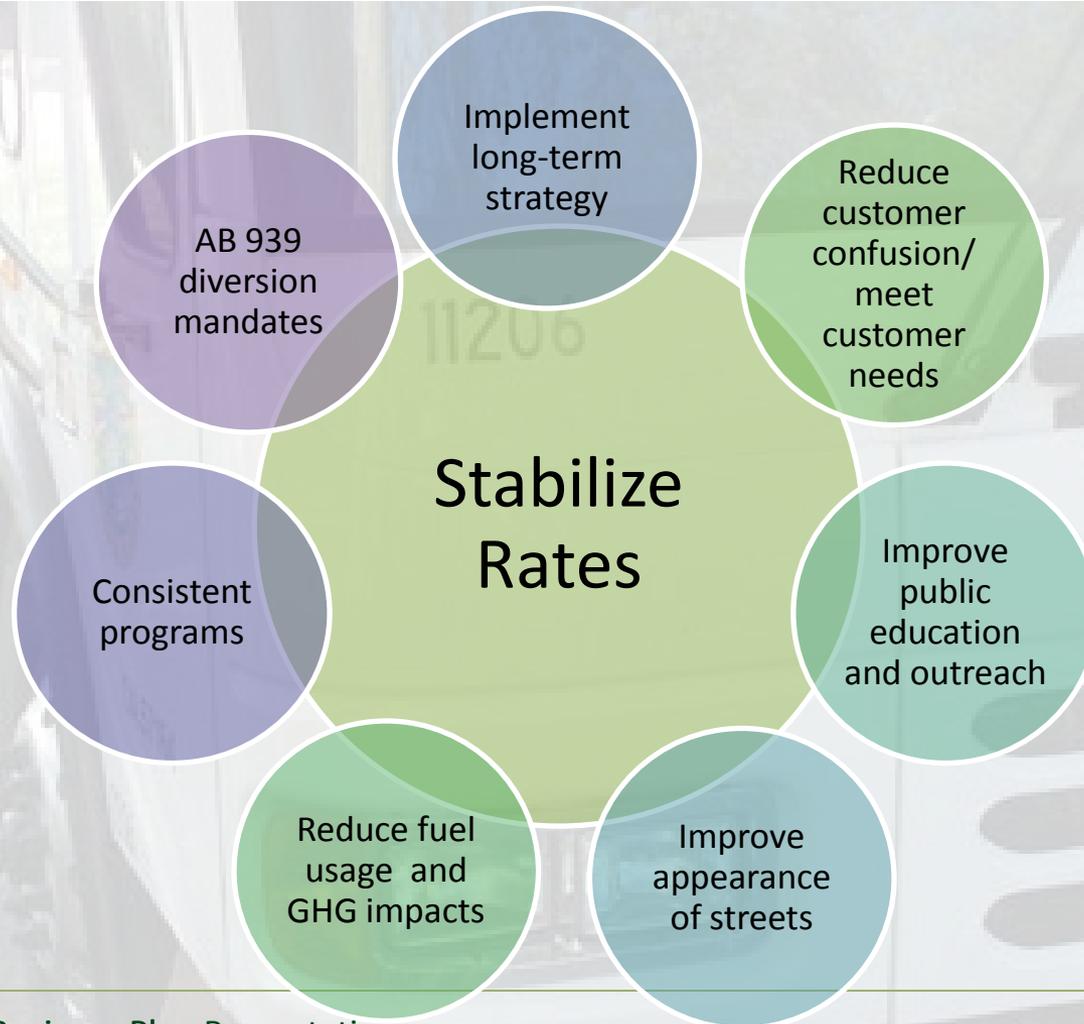


## 3 | Residential: Current Status

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



# 3 | Residential: 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 2<sup>nd</sup> recycling can
- May reduce recycling tonnage
- Eliminates 7.00 FTE



# 3 | Residential: Yard Waste Hybrid System

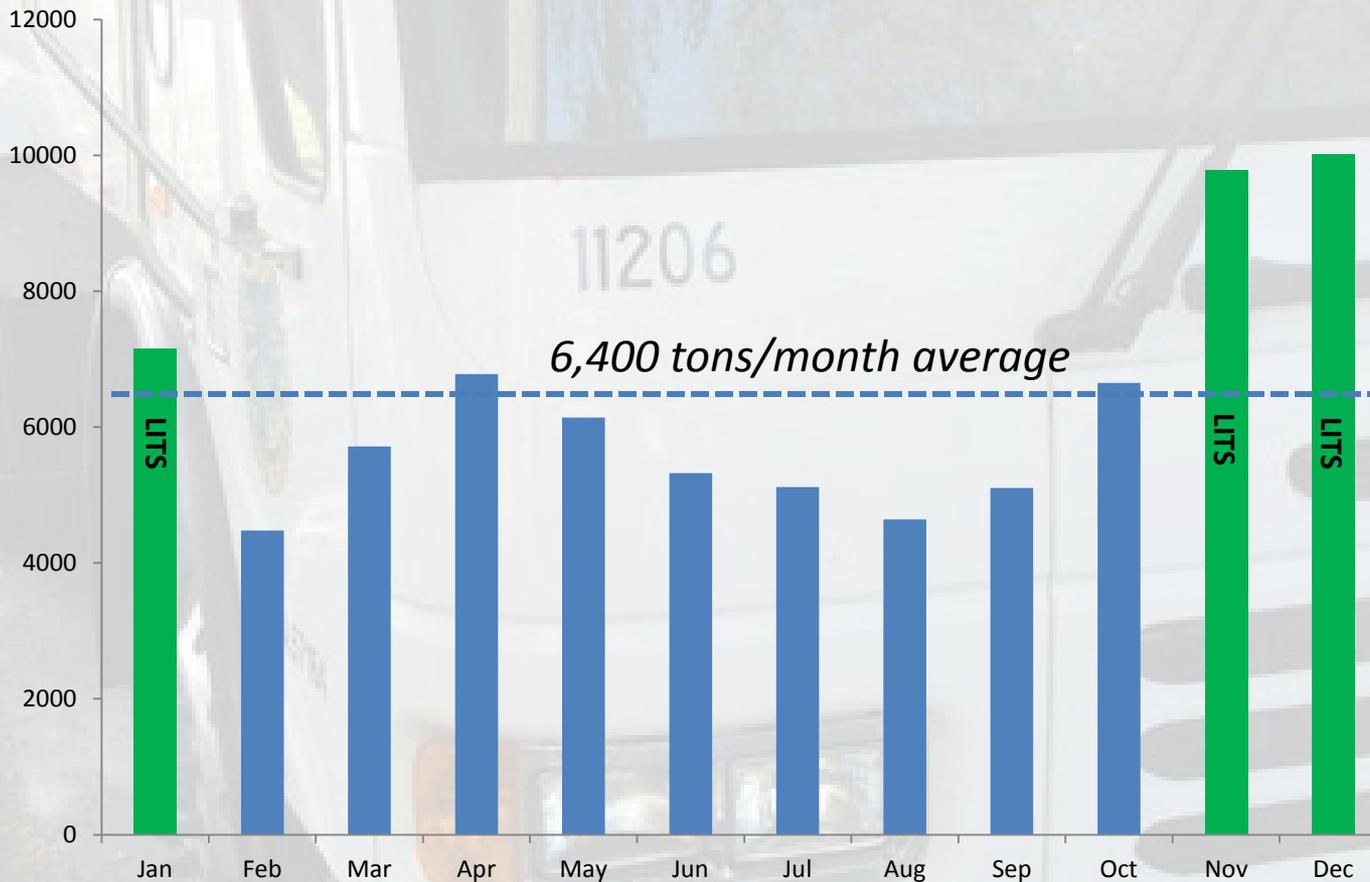


# 3 | Residential: Proposed Yard Waste Program

	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: Monthly Average Yard Waste Tons



# 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!*

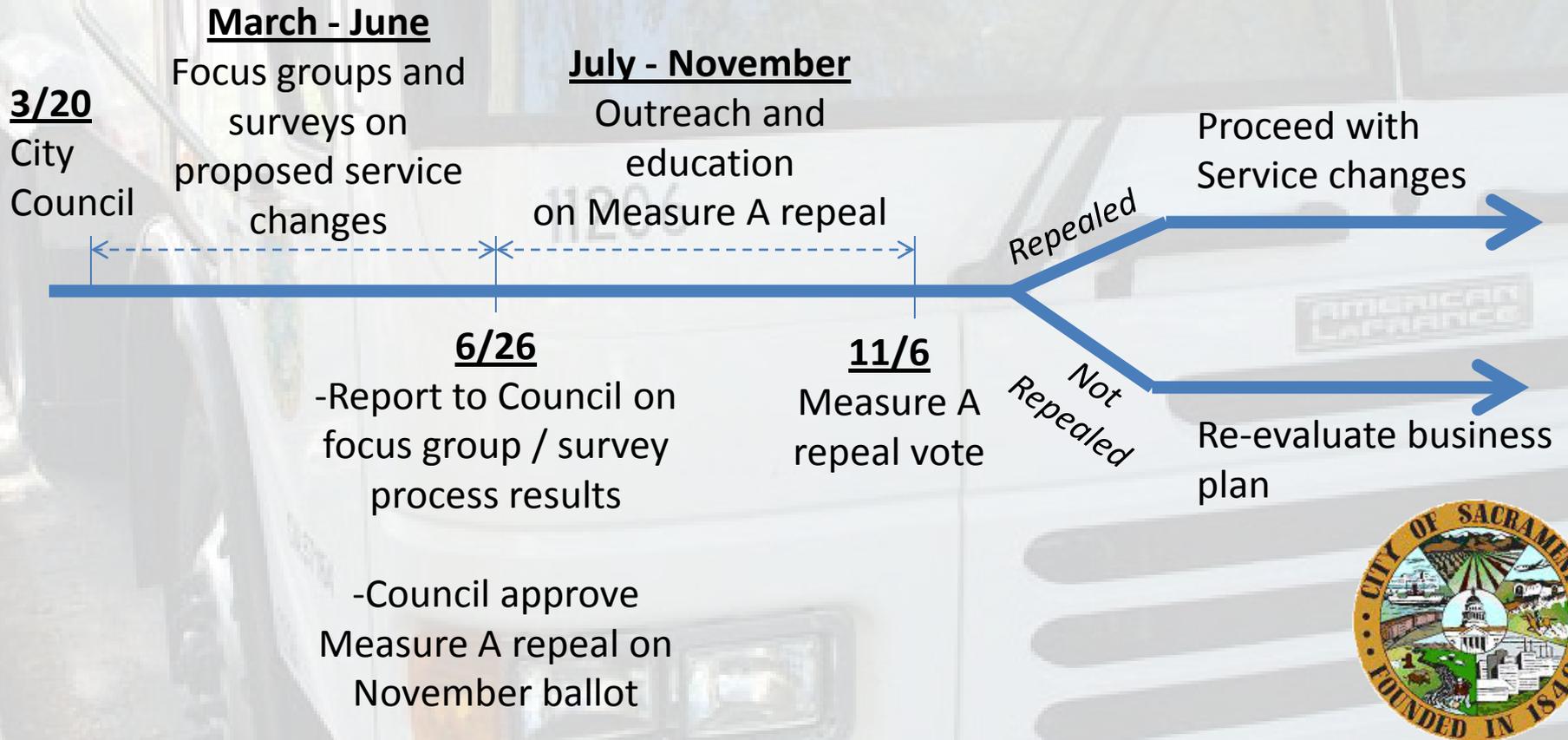


## 3 | Residential: Rate Impacts

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



# 3 | Residential: 2012 Roadmap



www.cleanerstreets.com



# 5 | Conclusion

- Questions
- Comments

