



**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**  
**November 28, 2012**

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

**Title: Solid Waste & Recycling Division Business Plan and Rate Stabilization  
Update**

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

**Recommendation:** Review and Comment

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

**Presenters:** Steve Harriman, Integrated Waste General Manager; David Levine,  
Business Services Manager

**Department:** Department of General Services

**Division:** Solid Waste and Recycling

**Organization No:** 13001711

**Description/Analysis**

**Issue:** On December 11, 2012, the Council will declare the election results for the November 6 election, including voter approval of Measure T, which repeals an initiative ordinance approved in 1977 prohibiting the City Council from requiring containerized yard waste collection for all City residents. As a result of voter approval of Measure T, the City Council has the discretion to implement the following changes to the City's residential solid waste collection services, as presented in the 2012 Solid Waste and Recycling Division Business Plan and approved by the City Council on June 26, 2012:



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1. Implement year-round containerized yard waste collection on a weekly basis for all City residential customers;
  2. Provide Loose-in-the-Street (LITS) yard waste collection service for all City residential customers in November, December, and January;
  3. Restore the Appointment Based Neighborhood Cleanup Program (ABNCU) from February through October, which was suspended in FY2009/10 for budgetary reasons;
  4. Implement a “dump coupon” program allowing residents to deliver up to five cubic yards of waste to the Sacramento Recycling and Transfer Station at no charge to the resident; and
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5. Shift the curbside recycling program from weekly to biweekly (every other week) collection.

Staff will review the proposed service changes above and present an implementation plan to the City Council on December 11. Based on Council's direction to proceed, staff will initiate the Proposition 218 rate notification process by December 31, 2012 for service and rate changes effective July 1, 2013 in accordance with the schedule in Attachment 1 to this report.

**Rationale for Recommendation:** In 2002, the City introduced the single stream residential curbside recycling program on a bi-weekly collection schedule. In an attempt to increase participation and recycling tonnage, the program shifted to weekly collection in 2006. Despite the increased frequency of collection, recycling tonnage increased by less than 10 percent over the past six years. Switching back to biweekly recycling will reduce operational costs associated with the program.

In 2004, the City introduced containerized yard waste collection to select areas of the City on a voluntary basis. Between 2004 and 2010, Solid Waste and Recycling staff delivered yard waste containers to approximately 103,000 households within the City. Currently, fewer than 12,000 households continue to subscribe to the LITS program. The current hybrid system has resulted in significant confusion among residents about the program, numerous illegal piles of yard waste on City streets creating aesthetic and safety impacts, inefficient collection operations, and the need under the California



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Constitution (Proposition 218) for a significant rate increase for current LITS customers to maintain current service levels.

The proposed weekly containerized yard waste collection program throughout the year and citywide LITS collection in November, December, and January includes the following benefits:

1. Improved appearance of City streets and neighborhoods;
2. Reduced yard waste in gutters and storm drains;
3. Consistent citywide yard waste collection program for all customers;
4. Simplified billing and customer service functions;
5. Increased efficiency in yard waste collection operations;
6. Citywide LITS service during heavy leaf-fall season when residents need extra yard waste collection services to handle the high volume;
7. Cleaner and safer bicycle lanes; and
8. Reduced vector and mosquito control issues by reducing standing water in gutters and storm drains.

The SW Business Plan also includes the return of the Neighborhood Cleanup Program from February through October. This very popular program, suspended in 2010 due to budget cuts, will allow residents to schedule one appointment per year between February and October for the collection of large items like appliances, furniture, e-waste, large yard waste, and other bulky items that will not fit in a garbage or yard waste can. The return of the Neighborhood Cleanup program is intended to improve customer service and reduce the level of illegal dumping in the City. Additionally, customers who need more than one bulky waste collection may request a dump coupon from the 311 call center allowing them to deliver up to five cubic yards of material to the Sacramento Recycling and Transfer Station at no charge. The City would then reimburse USA Waste of California for the corresponding disposal cost.



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**Financial Considerations:** With implementation of the proposed residential service programs, the typical single family residential solid waste customer currently with containerized service will see no change in their overall monthly solid waste bill through June 30, 2015. The typical single family residential solid waste customer who currently subscribes to the LITS program will see a reduction of \$3.36 on their monthly solid waste bill with their transition to containerized service.

### Proposed Residential Services and Rates

Funding for the new nine-month ABNCU program and the three-month LITS program will be included in the existing garbage and containerized yard waste rates. Rate adjustments are unnecessary as there is currently sufficient revenue under the current rate structure to cover the \$8.5 million annual expense of the ABNCU and LITS programs.

While the service level for recycling is being reduced from weekly to bi-weekly collection, the proposed rate remains unchanged from current levels (\$5.13). The current rate is presently underfunding the weekly collection program, and the move to bi-weekly service more closely aligns the revenues and expenses for this program.

The table below summarizes the proposed rate and service changes effective July 1, 2013.

	Changes	Effective 7/1/12		Proposed 7/1/13 – 6/30/2015	
		Increase	Rate	Increase	Rate
<b>Garbage, Recycling &amp; Street Sweeping</b>					
Weekly Garbage	▪ Addition of appointment based Neighborhood Cleanup & One annual Dump Coupon	0%	\$21.49	0%	\$21.49
Bi-Monthly Street Sweeping	No change	0%	\$1.34	0%	\$1.34
Bi-Weekly Recycling	▪ Recycling collection will occur every other week instead of weekly	0%	\$5.13	0%	\$5.13
<b>Yard Waste</b>	<b>Changes</b>	<b>Increase</b>	<b>Rate</b>	<b>Increase</b>	<b>Rate</b>



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Weekly Containerized Yard Waste	<ul style="list-style-type: none"> <li>▪ Seasonal Loose-in-the-Street collection November – January</li> <li>▪ Year-round Loose-in-the-Street discontinued</li> <li>▪ Eight additional Loose-in-the-Street pickups discontinued</li> </ul>	0%	\$10.35	0%	\$10.35
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### New Additional Container Rates

Per City Council direction, new rates for extra recycle and yard waste cans have been developed to provide residents with cost effective solutions for handling additional materials that may result from the proposed new yard waste and curbside recycling program scenarios. The following proposed rates were developed according to a component based rate methodology that determines a proportional share of costs for labor, containers, fleet, and disposal associated with the additional can.

<u>Additional Recycle Container</u>	
<u>Component</u>	<u>Cost</u>
Labor	\$ 1.04
Container	\$ 0.52
Overhead	\$ 0.24
Fuel	\$ 0.05
Vehicle Maintenance	\$ 0.23
Disposal	\$ -
Routing	\$ -
<b>Calculated Monthly Rate</b>	<b>\$ 2.09</b>
<b>Rate with General Fund Tax</b>	<b>\$ 2.35</b>

<u>Additional Yard Waste Container</u>	
<u>Component</u>	<u>Cost</u>
Labor	\$ 1.04
Container	\$ 0.52
Overhead	\$ 0.24
Fuel	\$ 0.08
Vehicle Maintenance	\$ 0.34
Disposal	\$ 0.75
Routing	\$ -
<b>Calculated Monthly Rate</b>	<b>\$ 2.98</b>
<b>Rate with General Fund Tax</b>	<b>\$ 3.34</b>

While the additional recycling container rate is brand new, the additional yard waste container rate is \$2.36 lower than the current rate due to reduced fleet costs associated with the division's newer refuse trucks.

### New Rate for ABNCU Oversized Piles

With the new neighborhood cleanup program, each resident can make one appointment annually for a free bulky waste collection up to five cubic yards. ABNCU piles determined by solid waste route supervisory staff to exceed the five cubic yard program limit will be subject to an oversized pile fee of \$28.60 for up to an additional five cubic



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yards of material. This rate is based on the cost of collection and disposal of the additional material at the City's current disposal rate of \$57.76 per ton.

Use of Fund Reserves

The division is drawing on fund reserves to avoid rate increases and keep rates steady through June 30, 2015 despite escalating costs for labor, fuel and disposal expenses incurred since the last Solid Waste fund rate increase in 2010. The table below summarizes the projected revenues and expenditures through FY2014/15 and the effect on solid waste fund reserves.

	FY2012/13	FY2013/14	FY2014/15
Total Revenues	\$ 60,251,000	\$ 57,361,250	\$ 57,380,008
Total Expenses	\$ 58,749,775	\$ 60,448,097	\$ 61,149,691
<b>Net Surplus/(Deficit)</b>	<b>\$ 1,501,225</b>	<b>\$ (3,086,847)</b>	<b>\$ (3,769,684)</b>
<b>Total Rate (for typical single family residence)</b>	<b>\$ 38.31</b>	<b>\$ 38.31</b>	<b>\$ 38.31</b>
\$ change		\$ -	\$ -
% rate change		0.00%	0.00%
<b>Fund Reserves</b>	<b>\$ 14,165,410</b>	<b>\$ 11,078,563</b>	<b>\$ 7,308,880</b>

Proposition 218 Rate Notification

Contingent on City Council approval of the implementation plan, staff will prepare and mail Proposition 218 notices to all solid waste utility customers by December 21, 2012 regarding rate and residential service level changes through FY2014/15. A public hearing will be scheduled 45 days after the 218 notices are mailed. Over the next year, Solid Waste staff will monitor the actual costs associated with the new residential programs and return to the Utilities Rate Advisory Commission in 18 months with an update on any future rate adjustments.

*Evan M. Roadwell*  
Community Outreach - Media Manager  
Solid Waste & Recycling Division  
FOR - *Steve Harriman*

Respectfully Submitted by: \_\_\_\_\_  
Steve Harriman  
Integrated Waste General Manager



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**Attachment 1**

**Business Plan Implementation Schedule**

December 4, 2012	City Council reviews proposed services changes and implementation schedule
December 21, 2012	Proposition 218 notices are sent to residents
February 6, 2013	URAC rate hearing on proposed rate adjustments
March 12, 2013	Proposed rate adjustments presented to City Council
June 2013	Yard waste cans issued to new subscribers
July 1, 2013	New services and rates go into effect citywide



# 2012 Business Plan Implementation

## Solid Waste and Recycling Division

**Presented by:  
Steve Harriman  
Integrated Waste General Manager**

**November 28, 2012**

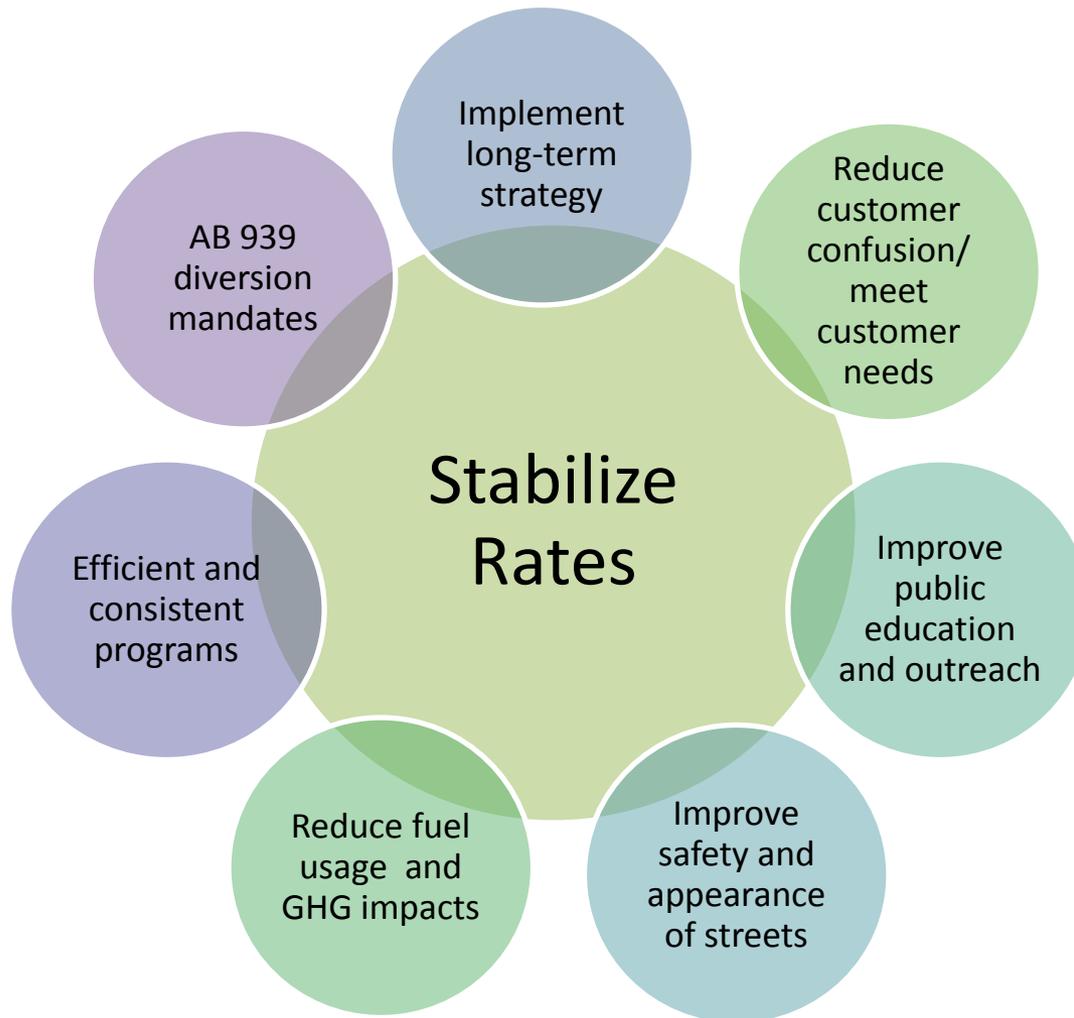


# 1. Presentation Summary

- Review Business Plan implementation details and schedule:
  - Business Plan Summary
  - New rates for additional services
  - Use of Fund Reserves
  - Public Education Plan
  - Phased Implementation Schedule



## 2. Business Plan Goals



## 2. Business Plan Summary

	Current Services	Proposed Services
Garbage	Weekly	Weekly
Recyclables	Weekly	Biweekly
Containerized yard waste collection	Weekly on subscription basis <i>103,000 customers</i>	Weekly Citywide <i>(All customers)</i>
Loose-in-the-street (LITS) yard waste collection	Periodic on subscription basis <i>12,000 customers</i>	Citywide Nov, Dec and Jan
Neighborhood Cleanup Program (NCU)	Suspended	Feb thru Oct Appointment based
Public education	Limited; not well defined	New focused approach
<i>Pilot Dump Coupon Program</i>	<i>N/A</i>	<i>One coupon/year to dump 5 yards at Transfer Station</i>



# 3. Residential Rate Summary

- No net change in monthly rates for residential solid waste services thru 6/30/15
- Match monthly rates with cost of service:
  - Garbage rate: weekly trash collection and seasonal neighborhood cleanup program
  - Recycle rate: biweekly collection
  - Yard waste rate: weekly containerized and seasonal loose-in-the-street collection
- Goal is compliance with State law (Prop 218)



# 3. Garbage Rates

- Monthly Garbage Rate
  - No change through 06/30/15
    - 36 gallon = \$13.40
    - 64 gallon = \$17.66
    - 96 gallon = \$21.49
- Currently revenue exceeds expense in garbage commodity
- Beginning 7/1/13, garbage rate will include funding for 9 months of appointment based neighborhood cleanup (ABNCU) program and dump coupon.
- The addition of ABNCU more closely aligns revenue and expense in the garbage commodity.



# 3. Yard Waste Rate

- Monthly Yard Waste Rate (\$10.35)
  - Containerized service year-round for all customers
  - Eight additional pickups will be discontinued
  - No change in rate through 6/30/15
  - Extra can rate decreased from \$5.70 to \$3.34
- Currently revenue exceeds expense in yard waste commodity
- Beginning 7/1/13, yard waste rate will include funding for 3 months of Citywide loose-in-the-street service
- The additional LITS service more closely aligns revenue and expense in the garbage commodity



# 3. Recycling Rate

- Monthly Recycle Rate (\$5.13)
  - No change in recycle rate
- Currently expense exceeds revenue for weekly recycling service
- Starting 7/1/13, recycle rate will fund biweekly recycling (compared to current weekly program)
- The change to biweekly collection more closely aligns revenue and expense in the recycling commodity



## 4. New Rates for Additional Services

- Component Based Rate Methodology
  - Addresses major cost components (i.e. labor, equipment, fleet & disposal)
  - Proportional cost share on the second can

<u>Component</u>	<u>Additional Recycle Can</u>	<u>Additional Yard Waste Can</u>
Labor	\$ 1.04	\$ 1.04
Container	\$ 0.52	\$ 0.52
Overhead	\$ 0.24	\$ 0.24
Fuel	\$ 0.05	\$ 0.08
Vehicle Maintenance	\$ 0.23	\$ 0.34
Disposal	\$ -	\$ 0.75
Routing	\$ -	\$ -
<b>Calculated Rate</b>	<b>\$ 2.09</b>	<b>\$ 2.98</b>
<b>Monthly Rate (with General Fund Tax)</b>	<b>\$ 2.35</b>	<b>\$ 3.34</b>

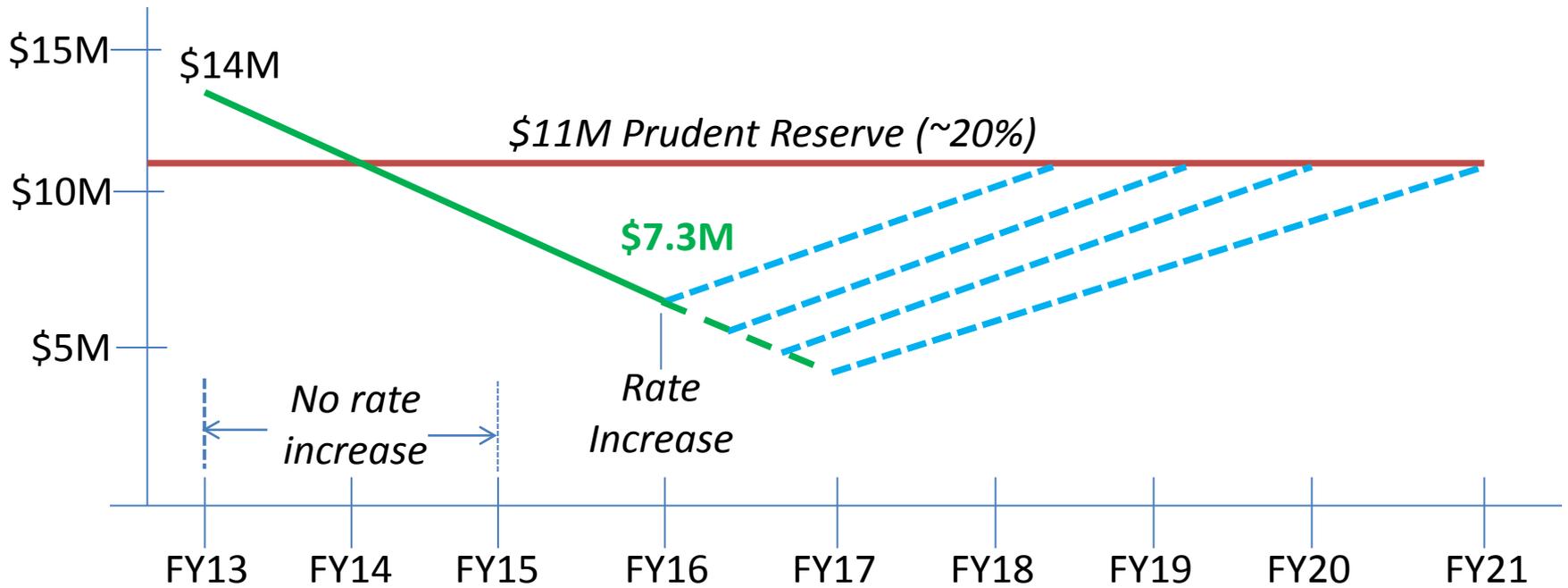


## 4. New Rates for Additional Services

November 28, 2012	URAC presentation on new rates for additional services
<i>December 11, 2012</i>	<i>Council Presentation on Implementation Plan</i>
December 21, 2012	Prop 218 notice mailed to all customers with new rates
February 6, 2013	URAC Public Hearing on new rates for additional services
March 12, 2013	Proposed new rates presented to the City Council
July 1, 2013	New rates for additional services take effect



# 5. Solid Waste Fund Reserve



# 5. Reserve Recovery Methodologies

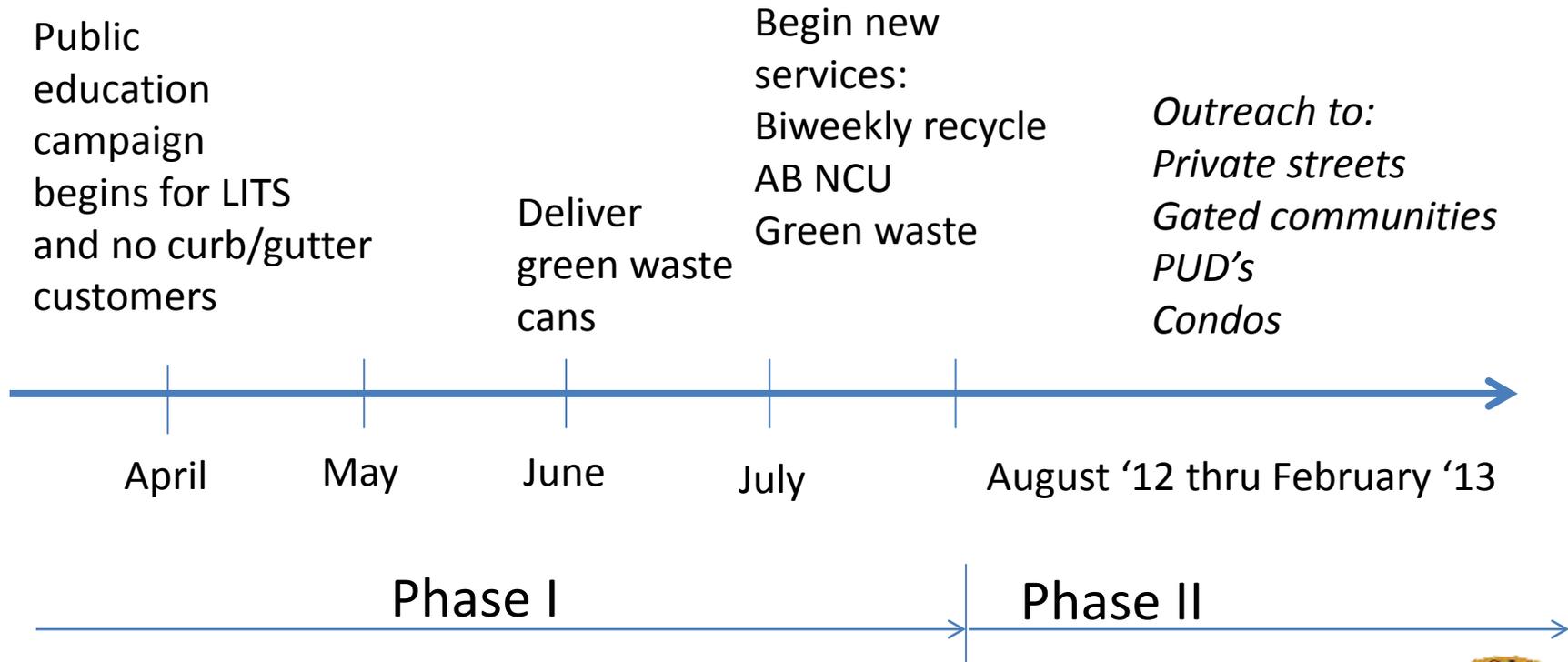
- Rate Increases beginning in FY2015/16
  - Return fund balance to fiscally prudent levels: \$11 million (60 day reserve)
  - Rate adjustments smoothed over time to build fund balance and recover costs of service (218 compliance):
    - Quicker recovery: larger rate increases for a shorter period
    - Extended recovery: smaller rate increases for a prolonged period



# 6. Prop 218 Notice

Service	Proposed Changes	Current Monthly Rate	Proposed Increase	Proposed Monthly Rate
Monthly Garbage Rate	<ul style="list-style-type: none"> <li>Includes weekly garbage collection and adds the Neighborhood Cleanup Program, with one (1) annual collection by appointment of up to five (5) cubic yards of material and one (1) annual dump coupon</li> </ul>	\$21.49	0%	\$21.49
Monthly Yard Waste Rate	<ul style="list-style-type: none"> <li>Includes weekly containerized yard waste collection and adds seasonal Citywide loose-in-the-street yard waste collection during leaf season</li> </ul>	\$10.35	0%	\$10.35
Monthly Recycling Rate	<ul style="list-style-type: none"> <li>Includes biweekly recycling collection as opposed to the current weekly program</li> </ul>	\$5.13	0%	\$5.13
<b>Proposed Rates for Additional Services (Optional)</b>				
Recycling	<ul style="list-style-type: none"> <li>Extra recycling can collected every other week</li> </ul>	No current rate	N/A	\$2.35
Yard Waste	<ul style="list-style-type: none"> <li>Extra yard waste can collected every week</li> </ul>	\$5.70	-58%	\$3.34
Garbage	<ul style="list-style-type: none"> <li>Overages in the neighborhood cleanup program beyond the 5 cubic yard limit</li> </ul>	N/A New service	N/A New service	\$28.60 for up to 5 yards

# 7. Phased Implementation Schedule



# 8. Conclusion

- Questions
- Comments

