

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2005-06

DATE: May 13, 2005
SUBJECT: **REFUSE COLLECTION FUND**
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Salt Lake City provides a refuse program of weekly trash collection, curbside recycling, annual neighborhood cleanup, holiday tree pickup, and leaf removal (half of the leaf bag expense is funded by the Stormwater Fund). The Refuse Fund operates as an enterprise fund, so the General Fund does not subsidize these services. The operating budget for fiscal year 2005-06 is proposed to decrease by \$382,536 or 5.5% over fiscal year 2004-05. During the past year, there has been an accounting change requiring that the City reflect the cash flow with escrow accounts for installment purchases of leased equipment. This has affected the Refuse Fund budget accounting, and is reflected below in the line items “Debt Proceeds” on both the revenue and expense side.

REFUSE FUND PROPOSED BUDGET				
	Adopted 2004-05	Proposed 2005-06	Difference	Percent Change
Revenue & other sources				
Refuse fees	\$5,765,388	\$5,747,166	\$(18,222)	(0.3%)
Landfill dividends	1,154,004	1,120,725	(33,279)	(2.9%)
Interfund Reimbursements	411,960	298,000	(113,960)	(27.7%)
Sale of vehicles	115,500	368,675	253,175	219.2%
Debt proceeds on installment purchases of vehicles		1,990,825	1,990,825	
Interest income	80,004	80,000	(4)	0.0%
Appropriation of reserves	611,961	301,865	(310,096)	(50.7%)
Total revenue & other sources	\$8,138,817	\$9,907,256	\$1,768,439	21.7%
Operating Expenses				
Weekly trash collection & Administration	\$4,055,583	\$4,017,543	\$ (38,040)	(0.9%)
Curbside recycling	1,203,096	990,950	(212,146)	(17.6%)
Annual neighborhood cleanup	1,672,494	1,540,144	(132,350)	(7.9%)
Total Operating Expenses	6,931,173	6,548,637	(382,536)	(5.5%)
Capital Outlay				
Debt service	912,000	1,140,796	228,796	25.1%
Debt proceeds placed in escrow for vehicle purchases		1,990,825	1,990,825	
Purchase of weekly pick-up cans & recycling containers	295,644	226,998	(68,646)	(23.2%)
Total expenses & capital outlay	\$8,138,817	\$9,907,256	\$1,768,439	21.7%

A weekly trash pickup service is provided to the residents of Salt Lake City as well as weekly curbside recycling pickup. Additionally, residents receive an annual curb side pickup designed for large or oversized debris.

The Salt Lake City Council reviews and adopts the budget for the Solid Waste Facility. The Solid Waste Facility administers the Landfill, coordinates the transfer station and the long range planning for future landfill sites. The decisions made in the operating budget of the Solid Waste Facility affect the revenue and expenditures of the Refuse Fund. For instance, an increase in material collection through the curbside recycling program will result in less garbage collection and lower tipping fee expenditures in the Refuse Fund. It also reduces the over-all revenue to the landfill, impacting the dividend that the City receives as a result of landfill revenue.

POTENTIAL MATTERS AT ISSUE

The major matters reflected in the proposed budgets for the Refuse Fund include:

- No rate increase – A rate increase is not requested for fiscal year 2005-06. However, a rate increase may be proposed for the Refuse Fund in fiscal year 2006-07. The last increase took effect in fiscal year 2001-2002, as part of a multi-year scheduled interval increase. However, in June of 2002 the rate decreased from \$12.75 to \$9.75 due to moving street sweeping and Urban Forestry to the General Fund.
- Equipment Purchase - The Refuse Fund wishes to continue with the established program of replacement of vehicles through the lease program. In fiscal year 2004-05, the Refuse Fund deferred replacing vehicles, because of pending changes associated with the Landfill and local industry. Four refuse packer replacements were deferred in fiscal year 2004-05. Once a study is completed of the changing local refuse industry, the intent for fiscal year 2005-06 is to continue with scheduled replacement of four refuse packers, and catch up of four replacements that were postponed for a total of eight refuse packers. Replacement of two trucks used in neighborhood cleanup is also included in the installment purchase budget. The Refuse Fund has a fleet of 16 refuse packers on a four-year replacement cycle and 14 trucks on a six-year replacement cycle. The Department of Public Services has found a four-year replacement cycle to be cost effective taking into account maintenance and resell value. Each year, the Refuse Fund also budgets for replacement expense of the cans for weekly pick-up and recycling on a cash basis.

During the past year, there has been an accounting reporting change requiring that the City reflect the cash flow with escrow accounts. The Refuse Fund uses escrow accounts for the installment purchase of vehicles through a lease program. This is not a change in process, but just in accounting presentation.

- Use of Reserve Funds – The budget proposes the use of \$301,865 from reserves. Available cash (current assets less current liabilities) in the Refuse Collection Fund was \$4,627,456 as of June 30, 2004.

- Staffing Adjustments – No new employee positions are requested for fiscal year 2005-06. However, there have been changes in the assignment of staff, so that there is a more direct focus on labor, and less staff as supervision. This has resulted in a decrease to salary costs.
- Tooele Landfill - During the 2005 Legislative Session, the Legislature approved a new private landfill site in Tooele. As a result of the diverted refuse, the Salt Lake Valley Solid Waste Management Facility expects to lose between 30 to 40 percent of its annual revenues. However, according the May 3 briefing information, the Director of the City/County Landfill indicated the Landfill has options to respond to potential decreases in tonnage received. If changes to Landfill operations include increases to fees, the changes would impact the City's Refuse Fund. Other mitigation efforts could also impact garbage handling.

ANALYSIS OF CHANGES IN OPERATING REVENUE AND EXPENSE

Reimbursement from the Stormwater Fund - The storm drain reimbursement has been decreased from \$236,004 to \$118,000 to take into account that street sweeping is now part of the General Fund. The balance of \$118,004 is reflected in General Fund revenue. Additional study will be conducted using Best Management Practices guidelines for EPA storm drain maintenance to determine how much of the storm drain reimbursement belongs to the GF and how much belongs to the Refuse Fund. The study will address the role of other City programs, such as Neighborhood Clean-Up and alley clean-up, in keeping storm drain systems clean. This study may result in a new calculation next year as well.

Various Inter-fund Reimbursements – The Refuse Fund is reimbursed from other City entities for weekly trash collection, which amounts to \$180,000. There is no recommended change to this reimbursement schedule.

Weekly trash collection –

Personal Services - Projected salaries and benefit costs represent only a slight increase over fiscal year 2004-05. The overall increase is due to increases in health insurance, pension and the anticipated salary increase. However, this is offset by a savings in supervisor salaries by shifting staffing levels to focus more on direct labor instead of supervision.

Fleet maintenance expenses – Fuel expenses have increased by \$60,606. This is partially due to an increase in the cost of fuel, and is also partially due to additional mileage to take garbage directly to the landfill in the event that the transfer station, located at 502 West 3300 South, closes. These fuel expenses are offset by expected decreases in fleet maintenance expenses by \$86,450. The decrease is attributed to the purchase of a new type of refuse packer that better meets the City's needs, and an adequate replacement cycle of the existing fleet.

Payments to the general fund in lieu of taxes will decrease \$32,483 based on the formula because net operating income has decreased. Administrative service fees paid to the general fund are expected to decrease by \$36,060 based on past use of

of general fund services.

Curbside recycling – The contract with the vendor has been renegotiated, resulting in the cost of curbside recycling declining from \$1,138,900 to \$906,400. The new cost per can will be \$2.10 per can rather than \$2.67 per can. Since recycling is not charged to residential customers, they will not see a change in their billing. **The Council may wish to ask how this will impact the amount charged to commercial organizations who contract with the City for recycling.**

Annual neighborhood cleanup –

Personal Services – Similar to the weekly trash collection budget, projected salaries and benefit costs represent only a slight increase over fiscal year 2004-05. The overall increase is due to increases in health insurance, pension and the anticipated salary increase. However, this is offset by a savings in supervisor salaries by shifting staffing levels to focus more on direct labor instead of supervision.

Fuel expenses have increased by \$25,441 due to an increase in the cost of fuel. These fuel expenses are offset by expected decreases in fleet maintenance expenses by \$97,500. These fuel expenses are offset by expected decreases in fleet maintenance expenses. Waste disposal costs are increasing by \$37,200 based last season's actual disposal costs.

QUESTIONS FOR CONSIDERATION

1. The Council Office often receives phone calls from constituents either pleased or displeased with the Neighborhood Clean-Up Program. The Council may wish to ask for an update from the Administration on the progress of this year's clean-up and any feedback for changes that may need to be considered.
2. A Process Improvement Team (PIT) reviewed the practice of picking up trash in alleys, and discussed discontinuing this service because of the liability issue of having to use large equipment alleys. The Council may wish to ask what the status is of the City's review of this issue.
3. The Council recently received a briefing from the Landfill relating to its budget and fund balance. The Council may wish to ask the City's Public Services Director Rick Graham whether the Landfill Advisory Board has held any further discussion on the long-term needs of the landfill, the impact of the new Tooele facility on landfill revenue and operations and the potential use of the fund balance for other programs.
4. The Council Office receives requests for 'green waste' pick-up for yard waste. The Council may wish to ask whether the Administration has looked further at this option and whether it would be an appropriate use of the fund balance at the landfill.
5. Some Council Members indicated a preference that the Landfill fund balance not be used for programs not related to waste management, one or two Council Members mentioned the potential for a reduction in tipping fees. The Council may

may wish to schedule a policy discussion at a later date to fully define the Council's position on the Landfill.

6. The Council may wish to ask for additional information on the Christmas tree pick-up program. Currently the City provides this service as part of the refuse fee. Given that fewer households have fresh trees than was the case many years ago, this may be a service that residents are willing to change or phase out in order to keep their refuse service costs down over the long-term. The City currently deploys large trucks for this service on every City street and it may be more efficient to provide some drop-off locations to reduce costs.

LEGISLATIVE INTENT STATEMENTS

No legislative intent statements are outstanding for the Refuse Fund.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Refuse Fund.

The Council may wish to consider issuing a legislative intent statement requesting that the Department analyze the changing situation with the local refuse industry and provide the Council with a future update.

During the briefing, the Council may wish to identify potential programs or functions to be added to the Council's list for future audits.