

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – FISCAL YEAR 2007-08

DATE: May 3, 2007
SUBJECT: REFUSE COLLECTION FUND
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| REFUSE FUND PROPOSED BUDGET | | | | |
|--|----------------------------|-----------------------------|-------------------|---------------------------|
| | Adopted 2006-07 | Proposed 2007-08 | Difference | Percent Change |
| Revenue & other sources | | | | |
| Refuse fees | \$6,353,328 | \$6,643,941 | \$290,613 | 4.57% |
| Landfill dividends | 545,000 | 410,000 | (135,000) | (24.77%) |
| Interfund Reimbursements | 303,400 | 343,800 | 40,400 | 13.32% |
| Sale of vehicles | 257,500 | 328,500 | 71,000 | 27.57% |
| Interest income | 160,000 | 250,000 | 90,000 | 56.25% |
| Appropriation of reserves | 127,201 | 2,036,181 | 1,908,980 | 1500.76% |
| Total revenue & other sources | \$7,746,429 | \$10,012,422 | \$2,265,993 | 29.25% |
| Operating Expenses | | | | |
| Weekly trash collection & Administration | \$4,067,567 | \$4,057,871 | (\$9,696) | (0.24%) |
| Curbside recycling | 976,099 | 987,527 | 11,428 | 1.17% |
| Annual neighborhood cleanup | 1,451,966 | 1,432,461 | (19,505) | (1.34%) |
| Total Operating Expenses | 6,495,632 | 6,477,859 | (17,773) | (0.27%) |
| Capital Outlay | | | | |
| Debt service | 1,094,368 | 1,303,025 | 208,657 | 19.07% |
| Equipment purchases | 156,429 | 2,231,538 | 2,075,109 | 1326.55% |
| Total expenses & capital outlay | \$7,746,429 | \$10,012,422 | \$2,265,993 | 29.25% |

In addition to the above, the proposed budget reflects an additional \$1,510,000 relating to accounting entries of the escrow accounts, which are used for installment purchases of vehicles and equipment through a lease program.

Salt Lake City provides a refuse program of weekly trash collection, curbside recycling, glass 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 2007-08 is proposed to decrease by \$17,773 or 0.3% compared to fiscal year 2006-07, which is significant given that the costs of doing business are increasing. Fuel is up slightly, personnel costs are increasing, as are some service fees. The cost of the recycling service, which is an outside contract, is the only category of operating expenses increasing. Both the cost of providing the refuse pick-up and the neighborhood clean-up services are decreasing.

The operations of the Landfill are not part of the Refuse Fund budget. The Solid Waste Facility administers the Landfill, coordinates the transfer station and the long range planning for future landfill sites. However, the Salt Lake City Council reviews and adopts the budget for the Solid Waste Facility on a calendar year basis, which affects 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.

KEY ELEMENTS

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

- Addition of a Voluntary Green Waste Container – In addition to continuing refuse, recycling and neighborhood cleanup services, the Administration proposes adding an option for residents to voluntarily request a container for Green Waste. This will become available in March of 2008. This service is in response to growing requests for pick-up dedicated to green waste. This will be provided nine months of the year and will be in addition to the Neighborhood Clean-up service.

The cost to the subscribing will be \$3.50 per month throughout the year (\$42.00 per year). The service will be provided weekly in conjunction with regular service between March 1 and November 30 of each year. The Administration estimates that approximately 4,100 accounts will request a green waste can as the program begins in March 2008. This represents approximately 10% of the likely accounts. (It is assumed that businesses, parks & municipal accounts, and apartments would not elect to have a green waste container.) Between March 1, 2008 and the end of fiscal year 2007-08, it is estimated that these potential 4,100 customers will generate an additional \$43,428 in revenue.

Estimated costs related to starting this program include:

| | |
|-----------|--------------------------------------|
| \$400,000 | two packer-trucks for the pick-up |
| 206,289 | new green waste 90-gallon containers |
| 27,363 | 1.88 Seasonal FTEs |

On an on-going basis, it is assumed that the green waste service will reduce some operating costs for other services. The tipping fees charged for the Neighborhood Clean-up program will likely decrease, because the green waste is diverted to the

green waste cans rather than being put out for Neighborhood Clean-Up, and because the 90-gallon refuse containers will be less used, they may not need to be replaced on the same cycle.

When this type of program has been discussed in the past, the Administration had proposed that outside contractors would be used for the pick-up of the cans. While this would reduce the amount necessary to start-up the program, because of the large upfront capital costs, a contract may be a less efficient use of money. Due to the unknowns of the program, the Administration would not be able to predict the number of users and locations with enough accuracy. Also, if the program were not successful, the packer-trucks that will be purchased are the same as the ones used for refuse pick-up, and could be absorbed into that fleet in the replacement cycle.

The Council may wish to further discuss the pros and cons of having this function in-house.

The creation of this service would also require additional education to subscribing residents about the use of the green waste can. As has been demonstrated with the introduction of the recycling program, ongoing education and regular enforcement is necessary. ***The Council may wish to ask for a brief overview of how the education and enforcement components are handled and how successful they are in the recycling program.***

Another option that has been discussed in the past has been to place dumpsters in locations throughout the City, such as City parks. The Administration is not proposing this, because of the problems with policing the items left at the sites, and concern that the proper green waste that is left might be contaminated with other dumped materials.

- Addition of Smaller Garbage Containers – This budget proposal includes the addition of two new sizes of cans for general garbage service also available to residents in March of 2008. Currently, the standard can size is 90 gallons. It is recommended to add a 30-gallon and 60-gallon size as options for reduced monthly rates. The 30-gallon general garbage container would cost \$7.25 per month; the 60-gallon would cost \$9.25 per month; and the 90-gallon would cost \$11.25 per month (this 90-gallon rate is a fee increase and is discussed in the next bullet item below).

It is anticipated that 2,500 (or 5%) 30-gallon containers will be requested, and 30,000 (or 60%) 60-gallon containers will be requested. The Administration has adjusted their anticipated revenue for these assumptions. The cost to purchase these new containers is \$1,594,302. There will also be a slight reduction in the cost of tipping fees.

The recycling container would continue to be a 90-gallon size, as would the proposed green waste containers.

- Fee Increases (\$290,613 or 4.6%) – The increase to fee revenue is a combination of fee increases, described below, and the revenue changes due to residents requesting a green waste container and/or changing the size of their general garbage container. The fee increases will be effective July 1, 2007 and the service

change options will be available March 1, 2008. ***The Council may wish to ask what the cost impact would be of deferring the fee increase to March of 2008 along with the service changes.***

This budget proposal includes an increase to the pick-up fee of \$0.50 from \$10.75 to \$11.25. As a reminder, this fee includes the service to pick-up both general garbage and recycling for the residential properties.

For the multi-family properties, there is a proposed fee increase of \$0.25 for the recycling fee. Currently, eligible property owners of multi-family dwellings are able to participate in the recycling program for a cost of \$3.50 per can per month. This would increase to \$3.75.

- Landfill Dividends (\$135,000 decrease, -24.8%) – This is the second year of significant decreases in Landfill Dividend revenue. It is due to a reduction in the expected tonnage that will be taken to the Salt Lake Valley Solid Waste Management Facility. A private landfill opened in Tooele County providing another option for commercial waste collection companies. By way of comparison, in 2005-06, the average monthly dividend was \$71,000. In 2007-08, it is expected to be about \$40,000 per month.
- Use of Reserve Funds – The budget proposes the use of \$2,036,181 from reserves in fiscal year 2007-08. Available cash (cash less current liabilities) in the Refuse Collection Fund was \$5,256,384 as of June 30, 2006, which represents 81% of the annual operating expenses. There is a plan to draw down some of this available cash over the next six years on capital costs, specifically equipment replacement, resulting in a remaining balance of \$3,026,517 in fiscal year 2012-13. ***The Council may wish to ask why it is necessary to have such a healthy cash reserve.***
- Equipment Purchase – The Refuse Fund uses a lease program for the replacement of vehicles. 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.
- Staffing Adjustments – No new full-time employee positions are requested. To accommodate the new services, 2.63 Seasonal positions are being requested. 1.88 of these positions would be related to the Green Waste program and .75 would be assigned to inventory control of the new sized containers.

Last year, the Council expressed concern about the practice of hiring part-time employees and laying them off during the off-season and re-hiring them since training will be required for these positions. ***The Council may wish to ask what the cost benefit is on using seasonal positions.***

- Ordinance Language changes – as drafted, the ordinance includes the addition of the phrase, “churches and non-profit organization” to Section B1 regarding recycling service to non-single-family dwellings. This is a minor correction caused by changes made by the omnibus ordinance. Churches and non-profit organizations were included in this service option, and the wording is being reinstated.