

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2008-09

DATE: May 20, 2008
SUBJECT: REFUSE COLLECTION FUND
STAFF REPORT BY: Lehua Weaver
CC: David Everitt, Lyn Creswell, Rick Graham, Kevin Bergstrom, Parviz Rokhva, Greg Davis, Nancy Sanders, Steve Fawcett

REFUSE FUND				
PROPOSED BUDGET				
	Adopted 2007-08	Proposed 2008-09	Difference	% Chg
Revenue & other sources				
Refuse fees	\$6,488,941	\$6,581,745	\$487,100	7.5%
Yard Waste fees	(new collection)	\$394,296	included in 'refuse fees' comparison	
Landfill dividends	\$410,000	\$605,000	\$195,000	47.6%
Interfund Reimbursements	\$343,800	\$282,224	(\$61,576)	-17.9%
Sale of vehicles	\$328,500	\$96,500	(\$232,000)	-70.6%
Interest income	\$250,000	\$200,000	(\$50,000)	-20.0%
Total revenue & other sources	\$7,821,241	\$8,159,765	\$338,524	4.3%
Operating Expenses				
Weekly trash collection & Administration	\$4,057,871	\$4,137,716	\$79,845	2.0%
Curbside recycling	\$944,207	\$1,207,253	\$263,046	27.9%
Glass and Cardboard Recycling	\$43,320	\$89,345	\$46,025	106.2%
Annual neighborhood cleanup	\$1,468,461	\$1,479,162	\$354,184	24.1%
Yard Waste Collection	(new collection)	\$343,483	incl. in 'NCU' comparison	
Total Operating Expenses	\$6,513,859	\$7,256,959	\$743,100	11.4%
Capital Outlay				
Debt service	\$1,303,025	\$1,262,096	(\$40,929)	-3.1%
Equipment purchases	\$2,231,538	\$432,906	(\$1,798,632)	-80.6%
Total expenses & capital outlay	\$10,048,422	\$8,951,961	(\$1,096,461)	-10.9%
Appropriation of reserves (use)	(\$2,227,181)	(\$792,196)	\$1,434,985	64.4%

(Note: In addition to the above, the proposed budget reflects an additional \$1,404,000 relating to accounting entries of the escrow accounts, which are used for installment purchases of vehicles and equipment through a lease program. Including this amount, the total expense budget would be \$10,355,961.)

Salt Lake City provides a refuse program of weekly trash collection, curbside recycling, a newly implemented curbside yard waste collection, centralized 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 new yard waste collection began in March of 2008, and recorded higher than expected enrollment. (Enrollment began in late 2007, cans were distributed in the beginning of 2008, and the pick-up began in March.)

The operating budget for fiscal year 2008-09 is proposed to increase by \$743,100 or 11.4% compared to fiscal year 2007-08, which is largely due to the costs of the new yard waste collection, and the addition of the two recycling coordinator positions to the Refuse Fund. In addition, fuel is up 29% and personnel costs are also increasing.

KEY ELEMENTS

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

Revenues

- Fee Revenues (\$487,100 increase) – There is no proposed fee increase for fiscal year 2008-09. However, the fee revenue from curbside services is expected to increase for three primary reasons:
 1. The fee increase adopted in 2007-08 was implemented in March (two-thirds through the fiscal year), so the 2008-09 budget recognizes a full-year of the revenues from the increased fee.
 2. In planning the 2007-08 budget, the Administration conservatively estimated how many residents would switch from the existing 90-gallon general garbage containers to the newly offered smaller containers. More residents than expected have elected to keep the larger 90-gallon containers, which have a higher monthly fee. (As a reminder, the 90-gallon garbage containers are \$11.25 per month; the 60-gallon is \$9.25 per month; and the 40-gallon is \$8.25 per month.)
 3. Lastly, the estimates were also lower than the actual number of customers who enrolled in the new yard waste collection. This program has been more popular than estimated, and therefore the fee revenue is slightly higher.

The budgeted revenue also anticipates additional customers changing their service elections – either signing up for the yard waste collection, or changing garbage can size.

- Landfill Dividends (\$195,000 increase, 48%) – The Administration had expected that the two new transfer stations, which came online in 2005 and 2007, would significantly affect the amount of waste tonnage taken to the Salt Lake Valley Solid Waste Management Facility. However, the amount of commercial tonnage has not dropped off as expected, and therefore, the monthly dividend revenue did not decrease as anticipated.

Expenses

- **Staffing Changes**
 - Recycling Coordination (2.0 FTE, \$161,764 increase) – The Administration is proposing the transfer of an existing employee from Public Services to the Office of Sustainability, and the addition of one FTE. Both would be dedicated to recycling efforts, including administering the expanded recycling services to business districts. These two positions would be under the Office of Sustainability, but their salary & benefits would be paid for by the Refuse Fund.
 - Seasonal Employees (6.67 FTE, \$241,652 increase) – Most of the seasonal employees will be used to support the yard waste program in addition to some support of existing garbage services (5.78 FTE). The remaining seasonal staff would be used for the recycling expansion, including education and outreach.
 - Overall, the personal services are also increasing for the Refuse Fund due to insurance rate increases, similar to the rest of the City departments.
- Changes to Recycling Contract - The Administration has been made aware of the potential that the current recycling vendor might request a fuel surcharge to be paid by the City as part of our contract. This issue is still in negotiations, but could result in a significant additional charge to the City for recycling collection. ***The Council may wish to ask for more information about the number of vendors locally who provide recycling service, and whether this is a common industry wide development.***
- Expansion of Recycling Services (\$76,735 increase) – The budget includes the costs associated with expanding recycling services by placing recycle bins in several parks, establishing additional glass recycling sites in Districts 1, 3, 4, and 5, and adding decorative recycling receptacles in the 9th & 9th and 15th & 15th Neighborhood Business districts. (The personnel cost increases associated with the recycling program and expansion are included above in the ‘staffing changes’ bullet point.) The Council may recall that the Administration expanded placement of the street receptacles to the Central Business District and Sugar House during Budget Amendment No. 2. The Council’s motion included a request that the Administration bring back a comprehensive recycling program during the annual budget. ***The Council may wish to ask what the plans are for continuing to expand the ‘comprehensive recycling program’.***
- Cost of Recycling Service (\$69,314 increase) – Due to increase in participation by single- and multi-family recycling.
- Waste Disposal Fees (decrease of \$161,889) – This is the impact of yard waste primarily, which has increased the tonnage taken to the landfill. However, the yard waste costs less per ton to dump than general garbage. (The impact of the expanded recycling program has been included above in the ‘expanded recycling’ bullet point.)
- Fleet Fuel (\$100,153 increase)
- Bond Payment (\$105,686 increase) – this is first payment for the new Fleet Facility, where Refuse will also be housed. This is a half-year payment, the first full-year payment will be included next fiscal year. The sales tax bond is a 20-year term, and payments will be shared with the Fleet Fund and the General Fund.

- Equipment Purchase – The Refuse Fund uses a lease program for the replacement of vehicles. The Refuse Fund has a fleet of 22 refuse packers on a five-year replacement cycle (16 are used for general garbage and six are for yard waste) and 14 trucks on a six-year replacement cycle. This year the replacement budget is reduced nearly \$1.8 million (or 80%), because in the current fiscal year the Administration had budgeted for the purchase of the new smaller general garbage cans, yard waste cans, and two packers for yard waste collection, which were one-time start-up costs.
Each year, the Refuse Fund also budgets for replacement expense of the cans for weekly pick-up, recycling, and yard waste cases on a cash basis.
- Use of Reserve Funds – The budget proposes the use of \$792,196 from reserves in fiscal year 2008-09. Use of available reserve funds allows the Administration to keep the garbage fees to residents low. Available cash (cash less current liabilities) in the Refuse Collection Fund was \$5,861,101 as of June 30, 2007, which represents 90% of the FY07-08 annual operating expenses. There is a plan to draw down some of this available cash over the next six years on capital and operational costs, resulting in a remaining balance of \$2,463,964 in fiscal year 2013-14, which is approximately 3-months of current operating expenses.

QUESTIONS FOR CONSIDERATION

1. During the Council's Overview briefing on May 13, Council Members Love and Martin requested additional information based on questions raised by residents of the Yalecrest Community Council. During their recent meeting, some residents inquired about placing all residential pick-up containers on the same side of the street in order to reduce the number of trips trucks need to make for collection. Preliminary information from the Administration indicates that they have tried this in certain circumstances, specifically on one-way streets and on cul-de-sacs.

To implement the practice more broadly, certain details would need to be worked out, such as: a) busier street classifications would need to be addressed – several collectors or arterials may have four lanes of traffic and residential units on both sides; b) enforcement of can removal so that residents would remove their cans in a timely manner; c) enforcement of proper placement; and d) a route plan to determine which side of the street the cans were placed (because drivers can not drive the same direction along all streets, the designated side may alternate).

In these de-facto test situations, there have been some challenges in winning resident support; however, the Administration will be prepared to discuss this issue in more detail and respond to Council questions.

The Council may wish to inquire whether an ordinance change would be necessary.

The Council may wish to further inquire about the assistance provided to the elderly and/or residents with handicaps for collection service.

The Council may wish to also ask about the staffing available for enforcement of placement and removal of cans in a timely manner.

2. Currently, there is no regular site for electronic waste recycling. There are some companies who provide the service at a cost, and some collection events

organized and paid for through Public Utilities. ***The Council may wish to consider asking about plans for expanding electronic drop-off services to accept electronic waste at the landfill.***

3. Given the high number of yard waste sign-ups, and the lower than expected enrollment for smaller general waste cans, ***the Council may wish to ask about efforts to expand the yard waste program, and plans to remind residents of the smaller general garbage containers.***
4. During the Council's discussion earlier in the year about expanding recycling containers to various business districts, the Administration mentioned that there were other options being explored for encouraging recycling practices in the business community. ***The Council may wish to ask about programs and plans to incentivize businesses to expand recycling efforts.***
5. During the year, the Environmental Subcommittee met with members of the Public Services Department, and discussed whether kitchen compostable material was allowed in the Yard Waste collection. In addition to Council interest in this, the Council office has received a few inquiries from residents. ***The Council may wish to ask for clarification on whether compostable kitchen waste is acceptable in the containers, and if so, whether updated information will be provided to residents.***

BACKGROUND INFORMATION

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.

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.

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