

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2006-07

DATE: May 11, 2006
SUBJECT: REFUSE COLLECTION FUND
STAFF REPORT BY: Lehua Weaver
CC: Rocky Fluhart, Sam Guevara, Rick Graham, Kevin Bergstrom, Parviz Rokhva, Greg Davis, Nancy Sanders, Steve Fawcett, DJ Baxter

REFUSE FUND PROPOSED BUDGET				
	Adopted 2005-06	Proposed 2006-07	Difference	Percent Change
Revenue & other sources				
Refuse fees	\$ 5,747,166	\$ 6,353,328	\$ 606,162	10.55%
Landfill dividends	\$ 1,120,725	\$ 545,000	(575,725)	-51.37%
Interfund Reimbursements	\$ 298,000	\$ 303,400	5,400	1.81%
Sale of vehicles	\$ 368,675	\$ 257,500	(111,175)	-30.16%
Interest income	\$ 80,000	\$ 160,000	80,000	100.00%
Appropriation of reserves	\$ 301,865	\$ 127,201	(174,664)	-57.86%
Total revenue & other sources	\$ 7,916,431	\$ 7,746,429	\$ (170,002)	-2.15%
Operating Expenses				
Weekly trash collection & Administration	\$ 4,017,543	\$ 4,067,567	\$ 50,024	1.25%
Curbside recycling	\$ 990,950	\$ 976,099	(14,851)	-1.50%
Annual neighborhood cleanup	\$ 1,540,144	\$ 1,451,966	(88,178)	-5.73%
Total Operating Expenses	\$ 6,548,637	\$ 6,495,632	\$ (53,005)	-0.81%
Capital Outlay				
Debt service	\$ 1,140,796	\$ 1,094,368	(46,428)	-4.07%
Equipment purchases	\$ 226,998	\$ 156,429	(70,569)	-31.09%
Total expenses & capital outlay	\$ 7,916,431	\$ 7,746,429	\$ (170,002)	-2.15%

In addition to the above, the proposed budget reflects an additional \$1,122,594 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, 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 2006-07 is proposed to decrease by \$53,005 or 0.8% compared to fiscal year 2005-06.

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:

- Fee Increase (\$606,162 increase, 10.55%) – This budget proposal includes multi-year increases to the monthly fee for refuse collection scheduled over the next six years:

Refuse Collection Fees					
Proposed multi-year increases					
	Fee Per Container				Proposed delivery fee for 2nd can
	Proposed increase	Current FY 2005-06 Fees	Proposed FY 2006-07 Fees	%	
2006-07	\$ 1.00	\$ 9.75	\$ 10.75	10.3%	\$ 11.00
2007-08	0.50	10.75	11.25	4.7%	11.00
2008-09	0.50	11.25	11.75	4.4%	11.00
2009-10	0.75	11.75	12.50	6.4%	12.00
2010-11	0.75	12.50	13.25	6.0%	12.00
2011-12	0.75	13.25	14.00	5.7%	12.00
Total Change	\$ 4.25			43.6%	

There are no fee increases proposed for the recycling program.

The last increase to the Refuse Fund took effect in fiscal year 2001-2002. Since that time, the fees have remained at \$9.75 per month. These proposed

fee increases will help in responding to increases in operating costs and to offset the reduction in the landfill dividend.

- Landfill Dividends (\$575,725 decrease, -51.4%) – This significant decrease in Landfill Dividend revenue in 2006-07 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.
- Use of Reserve Funds – The budget proposes the use of \$127,201 from reserves in fiscal year 2006-07. Available cash (cash less current liabilities) in the Refuse Collection Fund was \$4,338,632 as of June 30, 2005, which represents 66.8% 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 \$2,390,026 in fiscal year 2011-12. **The Council may wish to ask why it is necessary to have such a healthy cash reserve.**
- Fuel Expense (\$46,999 increase, 16.4%)
- Street sweeping (\$60,900 decrease) – As part of the Neighborhood Clean Up program, efforts have been made to improve scheduling. This has resulted in a reduction of the amount of sweeping required.
- 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 employee positions are requested.
- Replacement of Neighborhood Clean-up with an alternate program – In prior years, the Council has requested information about options to the Neighborhood Clean-up program, including distributing cans for green waste and establishing an alternate pick-up schedule for this throughout the year (excluding winter months). The Administration has provided updated numbers for the cost of this type of green waste program:

Start-up Costs: \$3.2 million one-time, including:

1 new can per:	\$2.1 million
household	
retire existing	\$1.0 million
leased equipment	

Ongoing Costs: \$1.6 million per year, including:

pick-up:	\$1.3 million
tipping fees:	\$100,000
staff for other:	\$200,000
maintenance and support tasks	

Impacts:

- This would result in reducing the number of seasonal staff, because pick-up services would be provided by an outside contractor.
 - o As an alternative, keeping the pick-up services in-house would result in significant capital costs for the needed equipment.
 - o The staff used for the Neighborhood Clean-up Program is also used for leaf collection in the fall. As an alternative to continue providing this service, the City could place dumpsters in parks for leaf collections.
- By comparison, the Neighborhood Clean-up Program costs \$1,451,966 annually (\$148,034 less). However, there would be a savings in replacement of trucks (14 trucks). Additionally, the \$200,000 attributed to maintenance and support tasks could be otherwise classified and not charged solely to the Neighborhood Clean-up function.
- The contract for pick-up services would cost \$385,291 more than the weekly recycling pick-up due to the likelihood that a more recently negotiated contract would reflect fuel price increases.
- The Administration has some concerns about a reduced service level. They have provided an information sheet (attached) with details of this alternate plan.

The Council may wish to consider whether the cost to purchase containers may be available within the \$4.3 million of reserve funds.

The Council may wish to ask how the program would be structured, for example, instead of distributing cans Citywide, could interested residents request the can?

The Council may wish to ask whether it would be possible to charge an additional fee for the service, perhaps in lieu of raising garbage pick-up rates.

The Council may wish to ask whether pick-up would need to be scheduled on a weekly basis, or whether it would be sufficient to collect the green waste monthly instead. This may provide some cost savings to the amount for pick-up.

The Council may wish to ask how pick-up of Christmas trees might be handled – including a possible drop off location instead of a pick-up schedule.

BACKGROUND INFORMATION

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.

ALTERNATIVE**Neighborhood Cleanup Program Changed to one 90 Gallon Greenwaste Container Per Home and Dumpsters in Parks to Support Leaf Removal**

	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
Current Fee / Can / Month	\$10.75	\$11.25	\$11.75	\$12.50	\$13.25
Proposed Fee / Can / Month	\$12.25	\$12.50	\$12.75	\$13.00	\$13.25

Service level parameters:

Each home would receive a 90-gallon greenwaste can

Greenwaste cans would be picked up weekly for ten months each year

Recycling pick up service levels would not be changed

Greenwaste cans would not support pick up of many of the items currently handled by neighborhood cleanup

No leaf bag distribution

Major impacts of greenwaste containers:

One-time sale of 14 leaf bed trucks to the General Fund totaling \$490,000

Payoff of lease purchase schedules for neighborhood cleanup program

Upfront cost of greenwaste can purchase would be \$2.1M

Contract for collection of greenwaste cans projected to cost \$1.3M beginning in FY07-08

Savings in personal services (fewer seasonals), fleet expenses and tipping fees

One-time community education costs

Contamination rates will be high in the initial years of implementation

Illegal dumping and limbo tonnage projected to be high on an ongoing basis

Major impacts of dumpsters in parks for leaf collection:

Cost to place the dumpsters

Seasonals to monitor dumping

Dumpsters in parks for six weeks

Bottom line:

Materially reduced service level

Very large upfront cost then operates at higher annual cost than status quo.

Will require upfront education and ongoing enforcement

SALT LAKE CITY ORDINANCE
No. _____ of 2006
(Refuse Fund Fees)

AN ORDINANCE AMENDING SECTION 9.08.030 OF THE SALT LAKE
CITY CODE, RELATING TO GARBAGE AND RECYCLING PICK UP SERVICES.

Be it ordained by the City Council of Salt Lake City, Utah:

SECTION 1. That Section 9.08.030 of the Salt Lake City Code, relating to
garbage and recycling pick up services be, and the same hereby is, amended as follows:

9.08.030 Garbage And Recycling Pick Up Services:

The city will provide for the collection and disposal, at the expense of the property owner, of garbage, community waste, stove ashes, recyclable material and other such refuse from residences, eligible multi-family properties and eligible businesses as provided herein. Said collection shall be under the supervision of the department of public services pursuant to the following:

A. Garbage And Recycling Pick Up Services To Residences:

1. Garbage Service To Residences And Responsibility For Payment: Except where water, sewer and garbage service to the owner's premises is properly terminated or the owner notifies in writing the director of public services that the owner's garbage will be picked up by a private collector, the owner of every residence shall be responsible and liable for the below enumerated monthly charges for garbage service. The charge for such service shall be billed with the city's regular water and sewer billings to the owner of such dwelling units as the department of public utilities has records, and directly to the address of all other such residences provided by the director of the city's department of public services. In those instances where the water and sewer bill is currently being sent to a tenant at the owner's request, the garbage service will be similarly billed. However, the owner is responsible to pay and is liable for all charges for garbage service furnished to the residence if such tenant or occupant shall fail to pay the same.

2. Charges For Garbage Service To Residences:

a. Monthly charges for general garbage pick up service provided to residences for the city's fiscal year 2006-2007 shall be ~~ten~~ ten ~~nine~~ nine dollars seventy five cents (\$109.75) per month for the first automated container. The first automated refuse container shall be delivered to residences without a delivery charge. Additional automated containers can be obtained for ~~ten~~ ten ~~nine~~ nine dollars seventy five cents (\$109.75) each per month plus a delivery

fee of eleven dollars (\$11.00) each. This fee will change in fiscal year 2007-2008 to eleven dollars twenty five cents (\$11.25) per month. During that fiscal year, additional automated containers can be obtained for eleven dollars twenty five cents (\$11.25) each month plus a delivery fee of eleven dollars (\$11.00) each. The fee will change in fiscal year 2008-2009 to eleven dollars seventy five cents (\$11.75) per month. During that fiscal year, additional automated containers can be obtained for eleven dollars seventy five cents (\$11.75) per month plus a delivery fee of eleven dollars (\$11.00) each. The fee will change in fiscal year 2009-2010 to twelve dollars fifty cents (\$12.50) per month. During that fiscal year, additional automated containers can be obtained for twelve dollars fifty cents (\$12.50) per month plus a delivery fee of twelve dollars (\$12.00) each. The fee will change in fiscal year 2010-2011 to thirteen dollars twenty five cents (\$13.25) per month. During that fiscal year, additional automated containers can be obtained for thirteen dollars twenty five cents (\$13.25) per month plus a delivery fee of twelve dollars (\$12.00) each. The fee will change in fiscal year 2011-2012 to fourteen dollars (\$14.00) per month. During that fiscal year, additional automated containers can be obtained for fourteen dollars (\$14.00) per month plus a delivery fee of twelve dollars (\$12.00) each. These fees shall changes, as outlined above remain the same through fiscal year 2006-2007, are subject to modification by future city councils.

3. Recycling Pick Up Services Available To Residences: Owners or occupants of residences may elect to subscribe to the city's recycling pick up service. Owners or occupants of residences will not be charged for this service in addition to the fee set forth in subsection A2 of this section.

B. Recycling Pick Up Service Available To Eligible Multi-Family Property Owners And Eligible Businesses:

1. Recycling Pick Up Service: Owners of eligible multi-family properties and eligible businesses may elect to subscribe to the city's recycling pick up service. A business or multi-family complex located outside of the service provider's normal routes may not be eligible to subscribe to the recycling program. Such service shall be billed with the city's regular water and sewer billings to owners of eligible multi-family properties and eligible businesses as the department of public utilities has records. In those instances where the water and sewer bill is currently being sent to a tenant at the owner's request, the recycling pick up service will be similarly billed. However, the owner is responsible to pay for the recycling pick up service furnished such tenant, or any other occupant of the premises named in the department of public utilities application, if such tenant or occupant shall fail to pay the same. The city may collect from private streets with a signed written agreement between the department of public services and the private street owner.

2. Charges For Recycling Pick Up Services: Charges for recycling pick up service provided to the owner of an eligible multi-family property or eligible business for the city's fiscal year 2002-2003 shall be three dollars fifty cents (\$3.50) per month for the first automated container. Additional automated containers can be obtained for three dollars fifty cents (\$3.50) each per month. Automated recycling containers shall be

delivered to eligible multi-family properties and businesses without a delivery charge. These fees shall remain the same through fiscal year 2006-2007, subject to modification by future city councils.

3. Promotion And Education Requirements Regarding Recycling Pick Up Service In Multi-Family Properties And Businesses: The business owner or manager of any eligible business who has subscribed to the city's recycling pick up service must distribute general recycling information and current program recycling guidelines to every employee within fourteen (14) days of employment and to all employees of the business annually. The owner or manager of any eligible multi-family property who has subscribed to the city's recycling pick up service must distribute general recycling information and current program recycling guidelines to every tenant housed in the complex within thirty (30) days of occupancy and to all tenants housed in the complex annually. If requested, the city will assist by providing educational flyers.

C. Billing:

1. Periodic Billing Statements: The department of public utilities shall cause billings for garbage collection and recycling pick up services to be rendered periodically at rates established in this chapter. In the event partial payment is made on a combined bill, the payment shall be applied first to franchise fees due, and then to each service on a pro rata basis as determined by the director of public utilities.

2. Delinquency: Fees and charges levied in accordance herewith shall be a debt due to the city. If this debt is not paid within thirty (30) days after billing it shall, at the option of the director of public utilities, be deemed delinquent and subject to recovery in a civil action for which the city may recover reasonable attorney fees, and/or said department shall have the right to terminate water, sewer, garbage collection and recycling pick up services to said premises. Any uncollected amount due from the owner on any inactive, terminated or discontinued account may be transferred to any active account under the owner's name and upon failure to pay said bill after at least five (5) days' prior written notice, water, sewer and/or garbage collection and recycling pick up services to that account and premises may be discontinued.

3. Restoration Of Service: Water, sewer, garbage and recycling pick up service shall not be restored until all charges shall have been paid.

D. Deposits Required From Nonowners: All new water, sewer and garbage collection service users who are not the owners of the premises shall pay to the department of public utilities for deposit with the city treasurer an amount sufficient to cover the cost of garbage collection services which may accumulate. The amount deposited shall be not less than twice any monthly or bimonthly bill for garbage collection over the preceding year on such premises, but in no case shall it be less than ten dollars (\$10.00). The department of public utilities shall issue a certificate of deposit. The amount deposited shall be refunded by the city treasurer to the holder upon the surrender of the certificate properly endorsed, provided all garbage bills and other

charges are paid. All bills for garbage service must be paid promptly without reference to said deposit. Whenever any user of garbage collection services shall have failed to pay for garbage services rendered to such premises, the money deposited or any part thereof may be applied to the payment of such delinquent bills by the department of public utilities. The owner of the premises will be required to pay the remainder.

E. Abatement: Those owners, each year, granted indigent abatement for taxes on their dwelling by Salt Lake County under section 59-2-1106 et seq., Utah Code Annotated, or its successor, shall be granted a fifty percent (50%) annual abatement of the above garbage pick up charges.

F. Enterprise Fund: All funds received from garbage service and recycling pick up service shall be placed in the garbage enterprise fund and left separate and apart from all other city funds. The collection, accounting and expenditure of all such funds shall be in accordance with existing fiscal policy of the city.

G. Vacancies: In the event a residence being served is vacant and the owner is trying to sell it, or it is or will be vacant because of an extended vacation of the occupant, the owner may apply to the public services director in writing for termination of garbage service for a specified period. The automated refuse and recycling container(s) will be picked up and returned pursuant to the owner's request upon payment of a ten dollar (\$10.00) service fee. If said service fee is paid, no garbage collection fee shall be charged during the period of vacancy.

SECTION 2. That this ordinance shall take effect immediately upon the date of its first publication.

Passed by the City Council of Salt Lake City, Utah this _____ day of _____, 2006.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

Transmitted to Mayor on _____.

Mayor's Action: _____ Approved. _____ Vetoed.

MAYOR

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2006.

Published: _____.

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