

Zero Waste Division: Priorities and 5 Year Rate Study

December 7, 2021 Work Session



Zero Waste Priorities

- ▶ Customer Service
 - ▶ May 2021: 520 customers, 4.9% (residential) to 10.4% (commercial) margins of error
 - ▶ 85-92% customer satisfaction in residential, 70% find rates reasonable (10% unreasonable)
 - ▶ 61-63% customer satisfaction in commercial, 48% find rates reasonable (28% unreasonable)
- ▶ Only 69% diversion
 - ▶ Not global leadership
 - ▶ Hiring more field representatives
 - ▶ Zero Waste Strategic Plan process initiated
- ▶ Vacancies
 - ▶ Public Works: 17%+ and rising
 - ▶ Zero Waste Division: as much as 42% on some days

Zero Waste Rate History

- ▶ Initial Five (5) Year Rate Schedules with Resolution No. 66,600 - N.S. by City Council May 20, 2014. Scheduled rate adjustments FY2015 through FY2019
- ▶ Input incorporated from City Council's September 2019 Work Session
- ▶ No increases FY2021 and FY2022 despite rising costs

2014 Rate Study Assumptions & Results

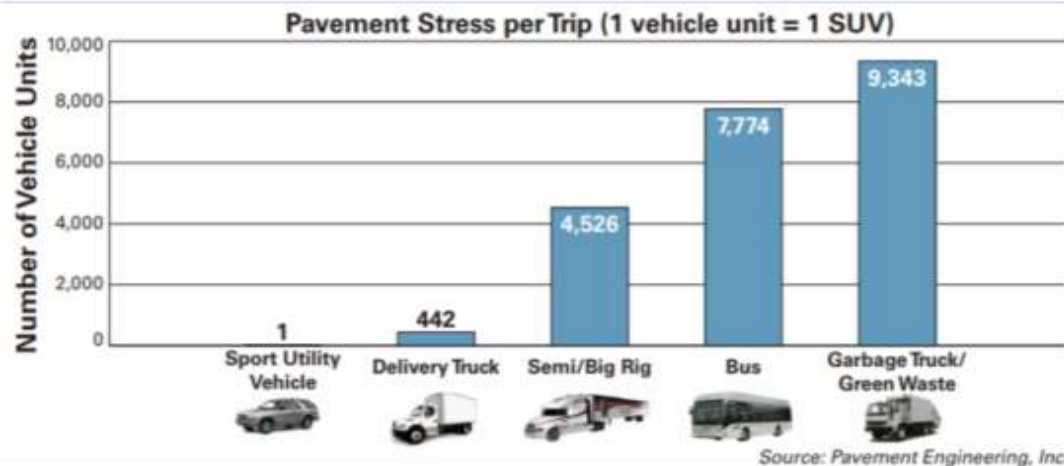
- ▶ Assumed: recycling revenues would significantly offset the costs of collection, sorting & marketing recyclable materials.
 - ▶ *Result: Recycling commodities revenues collapsed from 2015 to 2019. Currently, half of 2015 revenues.*
- ▶ Assumed: collections costs would escalate by CPI.
 - ▶ *Result: labor and contracts' costs exceeded CPI.*



Costs to Provide Residential and Commercial Collection Services

Cost Challenges - Next 5 Years

- ▶ Labor and contract escalation
- ▶ Single Use Foodware and Litter Reduction Ordinance, ~\$1.3M
- ▶ New staffing for SB 1383 compliance and progress toward Zero Waste Goal
- ▶ ~\$7.5M in pre-construction costs to replace Solid Waste and Recycling Transfer Station
- ▶ ~\$1.5M for new computerized management system
- ▶ New *Road Impact Cost Recovery* of ~\$2M to address paving impacts of collection vehicles



Contract Costs Included in Proposed 5 Year Rate Schedules

New Contracts or Contract Extensions:

- ▶ Residential recycling collection, 10 years, NTE = \$54.5 million through June 30, 2031,
- ▶ Recycling processing & marketing, 10 years, NTE = \$30.1 million through June 30, 2031,
- ▶ Organics hauling & composting, 5 years, NTE = \$26.7 million through February 28, 2025,
- ▶ Landfill disposal, 15-year contract, NTE = \$32.7 million through December 31, 2026.

Unknown Cost Challenges - Next 5 Years

- ▶ Fleet Electrification
- ▶ Construction costs of New Solid Waste & Recycling Transfer Station. EIR will include a preliminary construction cost estimate in June 2023
- ▶ Other SB 1383 costs
- ▶ Costs for new/altered programs to achieve Zero Waste Goal, especially coming from Zero Waste Strategic Plan

Cost of City Collection Operations

- ▶ Residential refuse and plant debris collection (24,000+ customers)
- ▶ Commercial refuse, dual stream recycling, & green waste/food collection(5,000+ customers)
- ▶ Residential bulky waste & holiday tree pick-ups
- ▶ Roll-off containers for construction and demolition debris (C&D) and commercial compactor hauling

Other Operations Costs

- ▶ Contracted residential dual-stream recycling operations
- ▶ Transfer Station operations and off-site hauling of C&D, organics and refuse to recycling and disposal facilities
- ▶ Fire Fuel Removal Program
- ▶ Clean City Program
- ▶ Mattress and carpet recycling
- ▶ Used motor oil recycling (residential only)
- ▶ **Road Impact Cost Recovery: \$2M per year**

Projected Annual Residential Collection Costs* (FY 23)

Refuse Collection Costs	\$ 9,705,300
Recycling Collection Costs	\$ 4,925,400
Organics Collection Costs	<u>\$ 7,508,300</u>
Total Projected Residential Costs	\$22,139,000

* Includes other refuse related costs (e.g., road impact cost recovery, street sweeping, etc.) and based on actual FY 2020 - 21 costs and trends

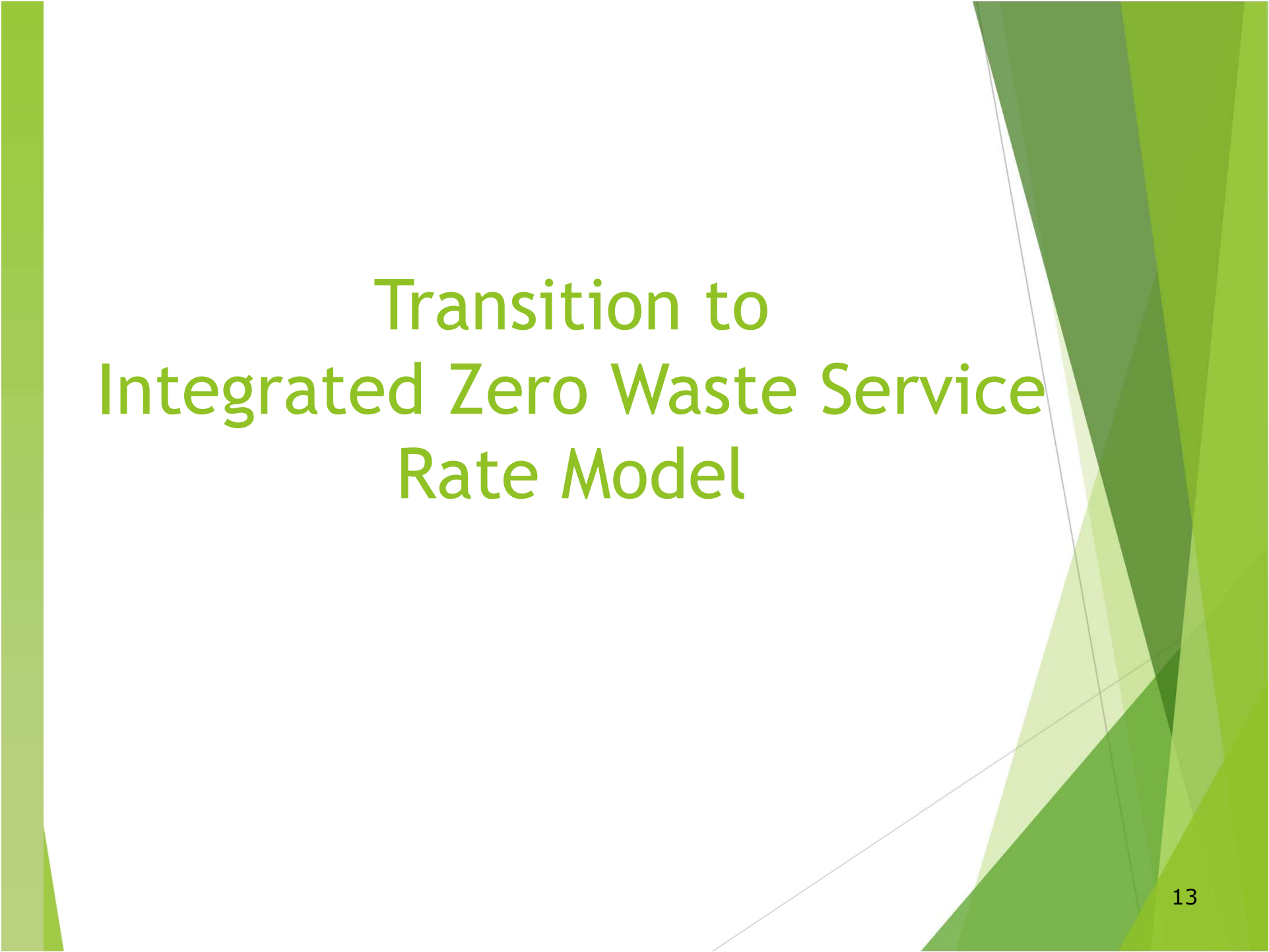
Providing service to 24,000+ customers

Projected Annual Commercial Collections Costs* (FY 23)

Refuse Collection Costs	\$ 12,372,000
Recycling Collection Costs	\$ 3,468,000
Organics Collection Costs	\$ 2,199,600
Roll-off Collection Costs	\$ <u>914,400</u>
Total Projected Commercial Costs	\$ 18,954,000

Costs kept separate due to varying subscription level options by material type to 5,000+ customers

* Includes other refuse related costs (e.g., road impact cost recovery, street sweeping, etc.) and based on actual FY 2020-2021 costs and trends



Transition to Integrated Zero Waste Service Rate Model

What is a Residential Integrated Zero Waste Service Rate?

- ▶ Each resident receives collection of 3 materials types
- ▶ 3 trucks & drivers, 1x per week



Refuse

Organics

Recycling

Proposed Cost of Service Rate Structure

- ▶ One residential rate for all 3 services
- ▶ Separate rates for commercial customers
 - ▶ Refuse
 - ▶ Recycling
 - ▶ Organics

5 year plan for all container sizes to reach full cost of service

Cost of Service Methodology

- ▶ Costs are segregated into 3 categories
 - ▶ Variable
 - ▶ Fixed
 - ▶ Disposal/Processing
- ▶ Variable Costs
 - ▶ Allocated based on container capacity
- ▶ Disposal/Processing Costs
 - ▶ Allocated based on container size and average pounds per container

Integrated Collection Service Rate

1x per Week - Residential Collection

Proposed to be effective 7/1/22

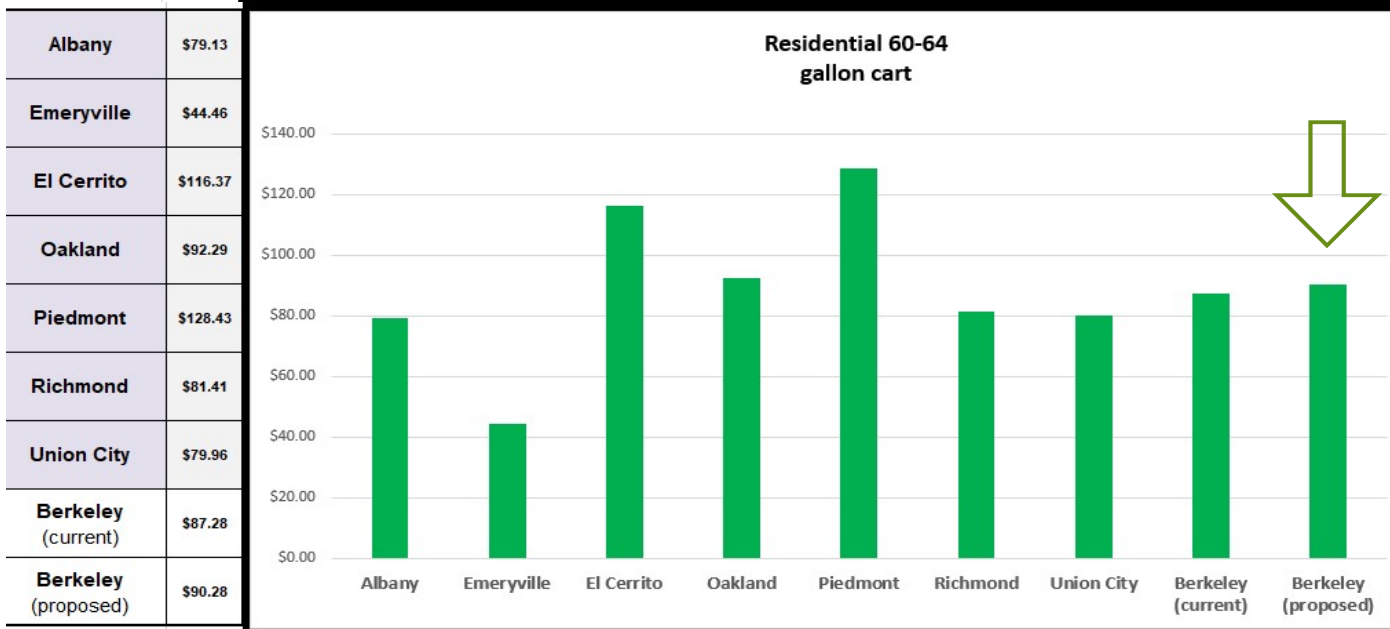
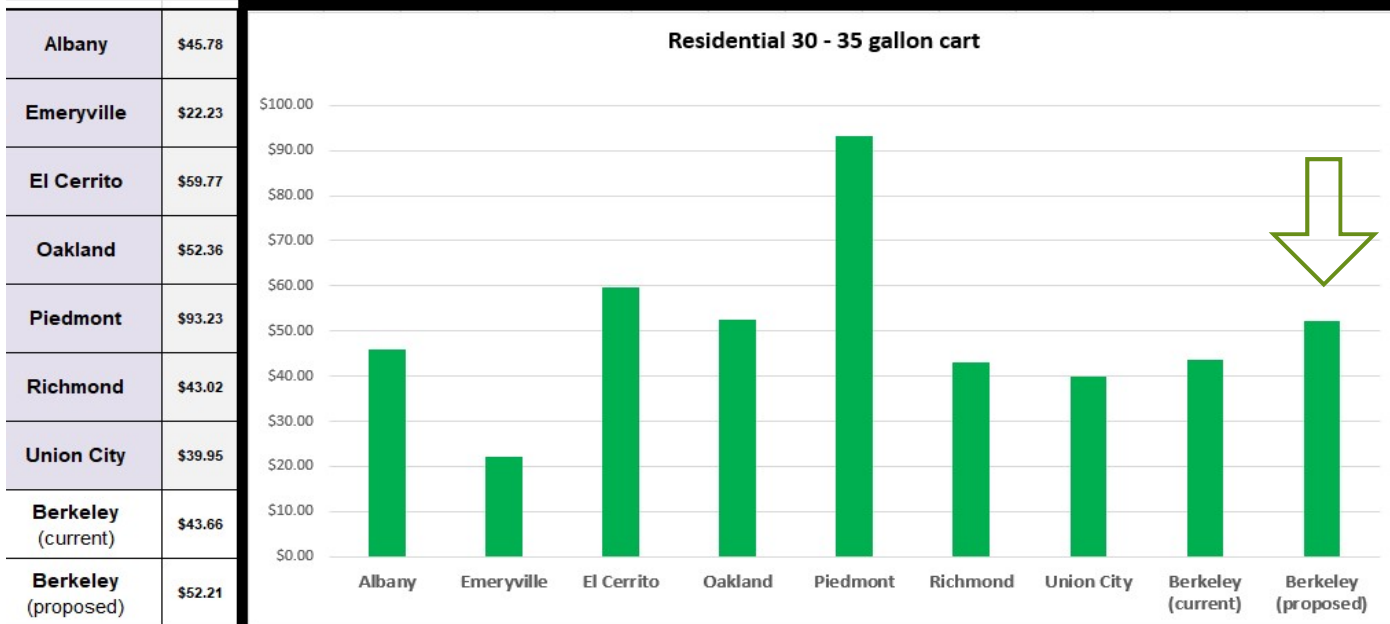
		Refuse Container	
		32 Gallon	64 Gallon
Current:	Refuse	\$ 43.66	\$ 87.28
	Dual Stream		
	Recycling 64 Gallon	-	-
	Organics 64 Gallon	-	-
	Monthly Cost	<u>\$ 43.66</u>	<u>\$ 87.28</u>
	Number of Customers	13,668	5,580
Proposed Integrated Service Collection Rate - FY23:			
	Refuse	\$ 52.21	\$ 90.28
	Dual Stream		
	Recycling 64 Gallon	**	**
	Organics 64 Gallon	**	**
	Monthly Cost	<u>\$ 52.21</u>	<u>\$ 90.28</u>
	Monthly Change	<u>\$ 8.55</u>	<u>\$ 3.00</u>
		20%	3%

80% of Ratepayers

** Integrated Service Rate includes recycling and compost

Proposed Integrated Service Collection Rates FY24-27 **:				
	FY 24	FY25	FY26	FY27
32 Gallon	\$ 59.76	\$ 67.30	\$ 75.27	\$ 84.31
\$\$ Change	\$ 7.55	\$ 7.54	\$ 7.97	\$ 9.04
% Change	14%	13%	12%	12%
64 Gallon	\$ 93.78	\$ 98.57	\$ 103.35	\$ 109.46
\$\$ Change	\$ 3.50	\$ 4.79	\$ 4.78	\$ 6.11
% Change	4%	5%	5%	6%

Comparison to Other Cities



80% of Ratepayers

Collection Service Rates 1x per Week - Commercial Cart Collection

		Refuse Container		
		32 Gallon	64 Gallon	96 Gallon
Current:	Refuse	\$ 35.89	\$ 71.74	\$107.57
	Dual Stream			
	Recycling 64 Gallon	-	-	
	Organics 64 Gallon	57.39	57.39	57.39
	Monthly Cost	\$ 93.28	\$ 129.13	\$ 164.96
	Number of Customers	1,065	888	928
Proposed Collection Rates FY 23:	Refuse	\$ 37.31	\$ 46.43	\$ 56.83
	Dual Stream			
	Recycling 64 Gallon	18.65	18.65	18.65
	Organics 64 Gallon	31.89	31.89	31.89
	Monthly Cost	\$ 87.86	\$ 96.98	\$ 107.38
	Monthly Change	\$ (5.42)	\$ (32.15)	\$ (57.58)

51% of Commercial and Multi-family Customers

Collection Service Rates 1x per Week - Commercial Cart Collection FY 24 - FY 27

Proposed Solid Waste Collection Rates FY 24 - FY 27:				
	FY 24	FY 25	FY 26	FY 27
32 Gallon	\$ 38.57	\$ 39.91	\$ 41.19	\$ 42.51
\$\$ Change	\$ 1.25	\$ 1.34	\$ 1.28	\$ 1.32
% Change	4%	3%	3%	3%
64 Gallon	\$ 47.83	\$ 49.55	\$ 51.20	\$ 52.90
\$\$ Change	\$ 1.39	\$ 1.72	\$ 1.65	\$ 1.70
% Change	4%	4%	3%	3%
96 Gallon	\$ 58.39	\$ 60.56	\$ 62.64	\$ 64.78
\$\$ Change	\$ 1.56	\$ 2.17	\$ 2.08	\$ 2.14
% Change	3%	4%	3%	3%

Proposed Recycling Collection Rates FY 24 - FY 27 :				
	FY 24	FY 25	FY 26	FY 27
64 Gallon	\$ 19.12	\$ 19.83	\$ 20.54	\$ 21.28
\$\$ Change	\$ 0.47	\$ 0.70	\$ 0.71	\$ 0.74
% Change	3%	4%	4%	4%

Proposed Organics Collection Rates FY 24-27 **:				
	FY 24	FY 25	FY 26	FY 27
64 Gallon	\$ 33.04	\$ 34.20	\$ 35.40	\$ 36.64
\$\$ Change	\$ 1.15	\$ 1.16	\$ 1.20	\$ 1.24
% Change	4%	4%	4%	4%

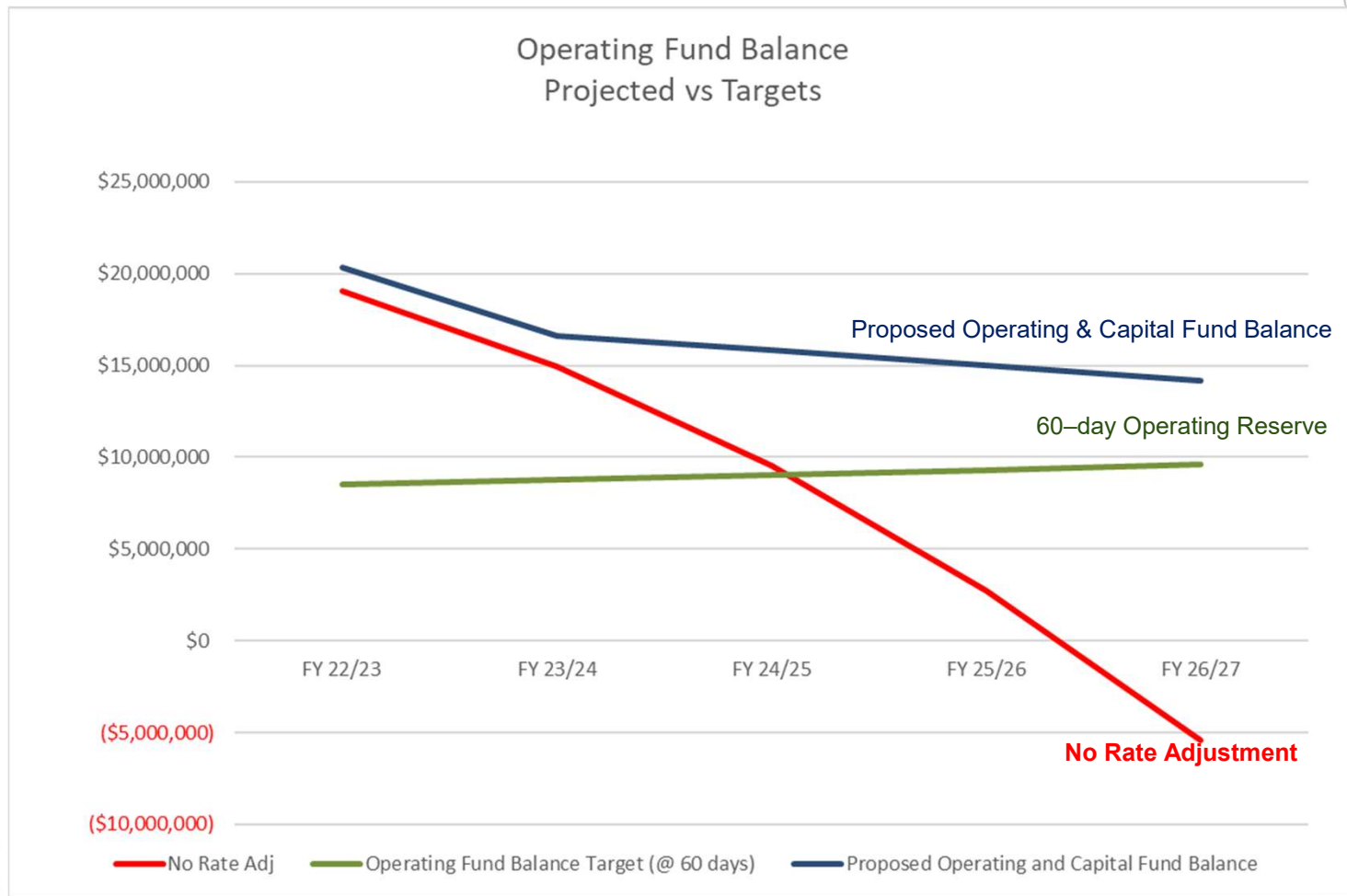
Increases approximate a CPI increase

Zero Waste Fund Fiscal Status (000's)

	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
Total Beginning Fund Balance	\$ 24,028.2	\$ 21,152.5	\$ 20,333.1	\$ 16,574.0	\$ 15,762.1	\$ 14,952.8
TOTAL REVENUE	46,795.6	51,636.1	53,218.4	54,872.5	56,591.1	58,354.3
TOTAL OPERATING EXPENSES	49,171.3	51,655.6	53,227.5	54,884.4	56,600.4	58,376.6
SURPLUS/SHORTFALL (Rev - Exp)	(2,375.7)	(19.5)	(9.1)	(11.9)	(9.3)	(22.3)
CAPITAL RESERVE (TS REPLACEMENT PERMITTING):						
Feasibility Study	-	-	-	-	-	-
CEQA	500.0	250.0	-	-	-	-
Design & Engineering	-	300.0	3,000.0	300.0	300.0	300.0
Geotechnical	-	250.0	750.0	-	-	-
Constructon	-	-	-	500.0	500.0	500.0
Operating Reserve - 60 days	8,083.0	8,491.3	8,749.7	9,022.1	9,304.2	9,596.2
Capital Reserve	13,069.6	11,841.7	7,824.2	6,740.0	5,648.6	4,534.3
Total Revised Ending Fund Balance	\$ 21,152.5	\$ 20,333.1	\$ 16,574.0	\$ 15,762.1	\$ 14,952.8	\$ 14,130.5

With Proposed Rate Adjustments

Zero Waste Fund Balance Projection: Proposed versus No Rate Adjustment



5 Year Rate Setting Process

- ▶ Incorporate Council's Input. *December 7, 2021*
- ▶ Seek Council's Approval to Initiate Proposition 218 process and Mail Notice to Property Owners. *January 26, 2022*
- ▶ Hold Hearing to Determine Whether Majority Protest Exists, and If Not, Council can Approve 5-year Rate Schedules. *March 9, 2022*
- ▶ New Rates Effective July 1, 2022

Questions

