

MEETING DATE/TYPE: **STUDY SESSION MEETING** **12-13-16**

DEPARTMENT: **Field and Facilities Services**

AGENDA ITEM: Presentation and discussion of revisions to the commercial and residential trash and recycling services, and for transfer station disposal fees

FUNDING SOURCE: Solid Waste Fund

Approved By: Michael Lamar, City Manager

Item Summary

The Solid Waste Division is seeking approval for fee increases for commercial and residential trash and recycling services and for Transfer Station disposal fees.

This is the first request for fee increases in more than a decade. Over the years, in order to help contain operating costs and defer fee increases, the Division has diverted as much material as possible from the landfill; modified existing operations; and has gradually drawn down the Solid Waste Fund balance. The fee increases are now needed in order to ensure cost recovery of operations and provide for a prudent Solid Waste Fund balance.

Background

New legislation outlining requirements for a municipality when considering fee increases for commercial businesses went into effect on August 6, 2016. As part of the new requirements in Arizona Revised Statute 9-499.15. B.1, municipalities must prepare a schedule of the proposed new or increased tax or fee that includes the amount of the tax or fee and a written report or data that supports the new or increased tax or fee. This schedule must be posted 60 days in advance of the approval of the new tax or fee.

The Solid Waste Division contracted with Lurie, LLC, a financial consultant, for the creation of a solid waste fee forecasting model for assessing the Solid Waste Fund's current financial status and projecting a forward-looking fund balance for a 10-year period. The forecast was used to determine whether fee increases were needed to support cost recovery of the services provided by the Solid Waste Division. This forecast also satisfies the requirement outlined above, and the proposed fee increases were posted on October 12, 2016. The projection included a minimum fund balance of 20% of operating expenditures, with concurrence of the Finance Director.

AGENDA ITEM: Presentation and discussion of revisions to the commercial and residential trash and recycling services, and for transfer station disposal fees

The Solid Waste Division has managed to contain costs and not request a fee increase for more than a decade; however, operating costs for providing service continue to rise. The largest costs for providing trash and recycling services are personnel, disposal and equipment. The costs for salaries and benefits continue to increase. Hauling and disposal contracts contain annual price escalators that are tied to the Consumer Price Index. Equipment used for collecting trash and recycling throughout the City continues to age well beyond its useful life, creating increased maintenance and repair costs until the equipment is replaced. Additionally, the Division has several planned capital improvement projects that will extend the useful life of Transfer Station assets and enhance employee safety. When all of this is factored in, fee increases are necessary.

The \$1 monthly increase for residential single family customers from \$14.00 to \$15.00 is approximately 7%. The \$0.34 per yard increase for commercial service from \$3.36 to \$3.70 is approximately 10%.

The Transfer Station disposal fee will increase from \$59.00 per ton to \$63.00 per ton for trash with a \$10.00 minimum, an approximately a 7% increase. To encourage customers to bring in clean brush into the Transfer Station, the rate for brush will remain at \$59.00 per ton, with a \$5.00 minimum. Loads of brush that are brought in with trash will pay the same rate as a load of trash.

The published schedule showing all of the various fee increases is provided as an attachment. All fee increases will be effective February 1, 2017.

Financial Impact

The Solid Waste Division is estimating additional revenue of \$170,000.00 for the remaining five months of FY17. The Division anticipates requesting annual fee increases in January of each year going forward in order to ensure 100% cost recovery of operations.

Attachments

1. Ordinance No. 5016-1554
2. Solid Waste Fee Schedule and Fee Projection

Recommended Action: Presentation for Council information and discussion - no formal action to be taken at this time.