

Agenda Report

TO: CITY COUNCIL

DATE: November 17, 2003

THROUGH: MUNICIPAL SERVICES COMMITTEE (November 13, 2003)

FROM: CITY MANAGER

SUBJECT: 2004 INTEGRATED WASTE MANAGEMENT OPERATIONS PLAN

RECOMMENDATIONS

It is recommended that City Council:

1. Adopt the attached 2004 Integrated Waste Management Operations Plan as the future direction for the Refuse Collection Enterprise;
2. Terminate the Curbside Recycling Contract with Athens Services, effective January 31, 2004.

BACKGROUND

In May 2002, the City Council approved a series of measures intended to correct the negative cash flow in the Refuse Collection Fund. The fund began FY 2003 with a deficit of \$2,052,777 and ended the year June 30, 2003 with a deficit of \$1,005,157.

In reviewing the current financial position of the Refuse Fund as well as anticipating future increased costs for recycling services and refuse disposal at County landfills, staff recognized the need to prepare a long-term plan to guide the direction of this enterprise.

The 2004 Integrated Waste Management Operations Plan recommends changes to ensure that the operation continues to keep pace with the City's goals, State-mandated legislation, and changes in the industry; while providing for the long-term financial stability of the Refuse Fund. The recommendations contained in the Operations Plan ensure not only financial stability but provide funds for the replacement of equipment and build a prudent reserve in this enterprise operation.

Development of the Operations Plan reflects staff's desire to solidify a direction for the Section's future with the goals of providing stability to the Refuse Fund, keeping Pasadena's recycling rate at 50 percent or higher, and providing cost-efficient, quality service to the more than 27,000 residential and 500 commercial customers.

Approval of the 2004 Integrated Waste Management Operations Plan will accomplish the following:

- 1) Continue to reduce the negative cash balance and provide the Refuse Fund with an anticipated positive cash balance by the end of FY 2006;
- 2) Provide fully funded reserves equal to 1/12 of the previous year's operating expenses by 2007 per Council policy;
- 3) Establish an equipment replacement fund beginning in FY 2007;
- 4) Introduce the City as the sole provider and single source of contact for all residential refuse and recycling services (including mixed waste, yard waste, and curbside recycling); and
- 5) Provide measurable performance goals to maximize efficient use of staff and equipment.

CURBSIDE RECYCLING CONTRACT

On June 4, 1998, the City awarded contract No. 16,620-1 for the collection of residential curbside recycling (one to four dwelling units per parcel) to Waste Management of San Gabriel. The contract was extended on May 8, 2001 for a three-year period. In November 2002, Waste Management requested that the contract be transferred to Athens Services as part of the client consolidation between their two companies to build market density in separate areas. Council approved the assignment of the Curbside Residential Recycling Contract to Athens Services through May 8, 2004. Athens told staff that they will decline to exercise the available two-year extension on the existing contract at the current \$1.49 per household rate, or \$482,760 per year.

Based on a telephone survey inquiring about the per household costs for curbside recycling provided to residential customers in surrounding cities, staff estimates it is likely that the cost of continuing to provide this service by contract in 2005 would result in a price increase from \$482,760 to approximately \$800,000 to \$950,000 annually.

Based on this projected significant increase in contract fees, staff recommends reorganizing the Integrated Waste Management section in order to provide this service in-house. Preliminary route and time analysis studies demonstrate a need to restructure both residential and commercial routes to maximize efficiency and equally distribute the number of collections per route per day (see Attachment A, "Daily Route Schedule".) Four routes will be eliminated between residential and commercial accounts, and the staff and equipment previously operating those routes will be reassigned to provide the curbside recycling collection currently performed by contract.

City personnel will then be responsible for the collection, disposal, and/or recycling of all three containers: mixed waste (green-lid), yard waste (black-lid), and recycling (blue-lid). Funds now allocated to pay for the residential curbside recycling contract, will be utilized to offset increased operational costs including personnel overtime and equipment operating costs. Even after these additional costs, there is an estimated anticipated net savings of \$100,000 in the first full year of operation, realized by this

program change. This savings is based on the current \$1.49/household rate charged and would be even greater if higher service rates are realized.

Staff reviewed Athens Services performance and confirms that they are currently operating the curbside recycling program in compliance with the contract. However, Athens has stated that they are operating at a deficit and cannot extend the contract for the remaining two-year option at the current rate. Per section 9.17 of the current contract agreement between Athens Disposal and the City of Pasadena, staff recommends terminating the curbside recycling contract with Athens effective January 31, 2004, and bringing the recycling operation in-house.

SUMMARY

A number of new programs are identified in the 2004 Integrated Waste Management Operations Plan to deal with the challenges the City faces in the early 21st century. Primary among these is staff's recommendation to provide recycling with existing crews rather than by contract, thereby offering all residential services: refuse disposal, yard waste recycling, and curbside recyclable collection from a single source, that being the City. Having all the services provided by one source will provide the customers with one point of contact for any changes in existing service—requesting additional containers, modification of services, or complaints about service. This will provide better contact with the customer and allow for better responsiveness and quality control of the services.

Restructuring the Integrated Waste Management Section and making the corresponding operational changes accomplishes the following:

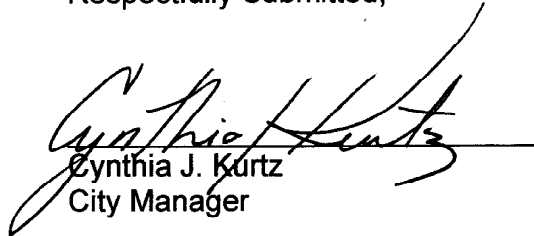
- 1) Improves the long-term outlook and financial stability for the Refuse Fund by maximizing existing resources, streamlining the refuse and recycling services the City provides to its customers, and reducing the impact of anticipated significant increases in contract costs for residential curbside recycling;
- 2) Eliminates the need to contract out for recycling service at an increased rate and provides residents with a single hauler (the City) collecting all residential refuse, yard waste, and recycling;
- 3) Maximizes route efficiency and equitably distributes the number of collection stops per route per employee;
- 4) Increases commercial revenue through the development of competitive rates for commercial and multi-family dwelling units;
- 5) Provides a single point of contact for residential customers.

Discussions between staff and representatives of the Service Employees International Union (SEIU) on October 15, 2003, were positive and management has received verbal support for this proposed work plan.

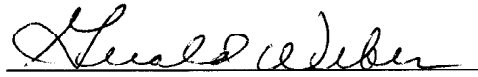
FISCAL IMPACT

Implementing the recommendations, including providing curbside recycling services in-house and reorganizing the Integrated Waste Management Section of the SMIWM Division, will result in a positive and financially stable Refuse Fund. The Refuse Fund will have a positive ending amount available for appropriation in FY 2006 and beyond, and will fully fund a reserve (1/12 of the previous year's operating expenses per Council policy) by the end of FY 2007 based upon financial projections in the plan.


Respectfully Submitted,


Cynthia J. Kurtz
City Manager

Prepared by:


Gerald Weber
Public Works Supervisor

Reviewed by:


Jimmy S. Berryhill, Administrator
Street Maintenance and Integrated
Waste Management Division

Approved by:

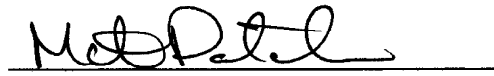

Martin Pastucha, Director
Department of Public Works

Exhibit C

City of Pasadena

FY 2004-2014 Budget

Ten Year Projection - Revenue & Expenses

Business Plan Fund Sheet

| Fund 406 Refuse Collection Fund | Report: | FY 2002 Actuals | FY 2003 Actuals | FY 2004 Adopted | FY 2004 Est. Actuals | FY 2005 | | FY 2006 | | FY 2007 | | FY 2008 | | FY 2009 | | FY 2010 | | FY 2011 | | FY 2012 | | FY 2013 | | FY 2014 | | | |
|--|--|-----------------|-----------------|-----------------|----------------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|----------|
| | | | | | | Proposed | Actuals | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed | Proposed |
| Calculation of Beginning Amount Available for Operation | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Beginning Cash Balance (1001) net of Due to/From's | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Restricted Cash and Investments | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current Assets (other than above accts.) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Restricted Cash and Investments | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Accumulated Change in Fair Value | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Beginning Amount Available for Appropriation | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6106 | Franchise Solid Waste Non-Excl | 507,219 | 757,642 | 780,371 | 780,371 | 803,782 | 827,896 | 852,733 | 878,315 | 904,664 | 931,804 | 959,738 | 988,551 | 1,018,208 | 1,048,754 | 1,084,754 | 1,120,804 | 1,156,854 | 1,192,904 | 1,228,954 | 1,265,004 | 1,301,054 | 1,337,104 | 1,373,154 | 1,409,204 | 1,445,254 | |
| 6461 | Calif Waste Management Board | 40,929 | 56,207 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 | 42,785 |
| 6466 | Park Facilities Rent/Clean-up | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 | 38,948 |
| 6680 | Department Of Conservation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6716 | Public Works Charges For Svcs | 79,515 | 76,402 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 | 81,900 |
| 6926 | RBOC Billable Rev for Services | (123,418) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7018 | Investment Earnings | 332 | 3,165 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7023 | Gain/Loss on Pooled Investment | 136,960 | 832 | 44,804 | 168,272 | 173,320 | 178,520 | 183,875 | 189,392 | 195,073 | 200,926 | 206,953 | 213,162 | 219,557 | 226,143 | 232,734 | 239,325 | 245,916 | 252,507 | 259,098 | 265,689 | 272,280 | 278,871 | 285,462 | 292,053 | 298,644 | |
| 7025 | Miscellaneous Revenue | 5,995,650 | 6,428,647 | 6,656,864 | 6,656,864 | 6,856,570 | 7,062,267 | 7,274,135 | 7,492,359 | 7,717,130 | 7,948,644 | 8,187,103 | 8,432,717 | 8,685,698 | 8,946,269 | 9,211,840 | 9,482,411 | 9,752,982 | 10,023,553 | 10,294,124 | 10,564,695 | 10,835,266 | 11,105,837 | 11,376,408 | 11,646,979 | 11,917,550 | |
| 7136 | Reimbursement Admin. Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7209 | Refuse Collection Fees (1) | 100,886 | 111,176 | 112,001 | 115,123 | 118,577 | 122,134 | 125,798 | 129,572 | 133,459 | 137,463 | 141,587 | 145,834 | 150,209 | 154,716 | 159,281 | 163,906 | 168,591 | 173,326 | 178,111 | 182,946 | 187,831 | 192,766 | 197,751 | 202,786 | 207,871 | |
| 7138 | Special Services | 0 | 0 | 20,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7139 | Bin Collection Service (1) | 1,061,218 | 1,107,300 | 1,117,490 | 1,146,609 | 1,181,007 | 1,216,437 | 1,252,931 | 1,290,519 | 1,329,334 | 1,369,111 | 1,410,184 | 1,452,490 | 1,496,065 | 1,540,947 | 1,587,135 | 1,633,623 | 1,680,416 | 1,727,514 | 1,774,917 | 1,822,625 | 1,870,737 | 1,919,254 | 1,968,177 | 2,017,500 | 2,067,223 | |
| 7140 | Increased Commercial due to New Services | 800 | 0 | 0 | 7,000 | 14,891 | 23,006 | 31,121 | 39,236 | 47,351 | 55,466 | 63,581 | 71,696 | 79,811 | 87,926 | 96,041 | 104,156 | 112,271 | 120,386 | 128,501 | 136,616 | 144,731 | 152,846 | 160,961 | 169,076 | 177,191 | |
| 7141 | Solid Waste Appl Processing Fee | 2,682 | 3,890 | 358 | 41,667 | 14,891 | 23,006 | 31,121 | 39,236 | 47,351 | 55,466 | 63,581 | 71,696 | 79,811 | 87,926 | 96,041 | 104,156 | 112,271 | 120,386 | 128,501 | 136,616 | 144,731 | 152,846 | 160,961 | 169,076 | 177,191 | |
| 7141 | Curbside Recycling Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7141 | Roll-Off Service Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7279 | Roll-Off Disposal Fee | 23,460 | 37,933 | 36,050 | 48,934 | 26,880 | 59,904 | 79,872 | 99,840 | 119,808 | 139,776 | 159,744 | 179,712 | 199,680 | 219,648 | 239,616 | 259,584 | 279,552 | 299,520 | 319,488 | 339,456 | 359,424 | 379,392 | 399,360 | 419,328 | 439,296 | |
| 7280 | Refuse Temporary Bin Service | 2,135 | 3,595 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 | 4,760 |
| 7281 | Refuse Change Out Service | 900 | 75 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7282 | Refuse Damaged Container | 2,690 | 4,355 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 |
| 7304 | Gain Or Loss On Capital Assets | 0 | (90) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | | 7,849,280 | 9,487,875 | 8,941,451 | 9,188,854 | 9,508,975 | 9,837,713 | 10,169,888 | 10,501,467 | 10,835,630 | 11,170,361 | 11,505,092 | 11,840,823 | 12,176,554 | 12,512,285 | 12,848,016 | 13,183,747 | 13,519,478 | 13,855,209 | 14,190,940 | 14,526,671 | 14,862,402 | 15,198,133 | 15,533,864 | 15,869,595 | 16,205,326 | |

