

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** May 23, 2005

**THROUGH:** MUNICIPAL SERVICES COMMITTEE

**FROM:** CITY MANAGER

**SUBJECT:** 2006 INTEGRATED WASTE OPERATIONS PLAN AND INCREASE  
REFUSE FRANCHISE FEES FOR FISCAL YEAR 2006

## **RECOMMENDATION**

It is recommended that City Council:

1. Adopt the attached 2006 Integrated Waste Operations Plan for Fiscal Year 2006;
2. Adopt the attached resolution increasing the franchise fee charged to commercial refuse and recycling haulers from 14 percent to 16 percent.

## **BACKGROUND**

Staff developed the 2006 Integrated Waste Management Operations Plan (Attachment A). In December 2004, staff met with the Municipal Services Committee (MSC) to review the 2004 Integrated Waste Management Operations Plan and an overview of the 2006 Operations Plan was presented to the MSC in April 2005. The 2006 Plan outlines six goals, summarized below, that will shape the direction of services for the City's Integrated Waste Management (IWM) Section in the upcoming fiscal year.

**Goal 1: Perform an audit of all residential refuse and recycling containers to ensure accurate billing at each residence receiving service.**

A spot audit conducted in 2004 indicated that five percent or more residences within the City may have refuse containers for which they are not being billed or containers that are of a different size than that which is reflected on their monthly billing statements. The proposed container audit will rectify these problems and establish a system with more integrity and accuracy to track individual containers and reflect appropriate billing information. Based on the audit findings staff will develop and implement an inventory tracking system and update it continually to ensure accurate residential billing. This could recover as much as \$250,000 per year to the solid waste fund due to services that

are provided which are currently inaccurately billed. It is anticipated that the contract for the audit will be presented to the City Council for consideration and approval by July 31, 2005.

**Goal 2: Balance refuse collection routes and reduce overtime costs.**

The current refuse and recycling routes are unbalanced by day, route, and driver. Changes in the routes will result in reduced overtime for refuse truck operators and more efficient operation of the refuse collection program. Changes may result in some residents experiencing a change in the day of the week on which their refuse and recycling are collected. Subsequent to the findings of the audit, if any changes are recommended, Public Works staff will provide timely information and explanations to affected residents in order to ensure a smooth transition.

**Goal 3: Replace older diesel-powered refuse collection vehicles with newer and reliable alternative-fuel vehicles.**

There are currently seven refuse vehicles in operation which were purchased between 1987 and 1989. The projected life of refuse collection vehicles is ten years. Due to the age of these vehicles, the vehicle maintenance costs have become prohibitive. Additionally, these seven vehicles experience frequent breakdowns, which ultimately results in increased overtime as other drivers are required to finish collecting refuse and recycling on the route in which the breakdown occurred.

The cost of replacing seven vehicles is estimated at \$1.8 million. On March 14, 2005, City Council authorized the equipment leasing financing agreement. These funds will be used to purchase the required trucks and repaid from rate revenues. The annual repayment is recommended in the Recommended FY 2006 Operating Budget. Future equipment replacements for the Refuse Program will be purchased utilizing budgeted capital outlay funds in accordance with the adopted replacement schedule.

**Goal 4: Improve the financial stability of the Refuse Fund.**

The Refuse Fund has made steady progress in reducing its negative beginning fund balance. Specifically, modifications to the Refuse program have resulted in a reduction as follows:

	<b>Beginning Fund Balance</b>	<b>Reduction from previous year</b>
FY 2003	(\$2,050,772)	
FY 2004	(\$1,014,195)	\$1,036,577
FY 2005	(\$965,547)	\$48,648
FY 2006	(\$409,657)*	\$555,890*

\*Projection based on current fund performance

Despite the great strides made in reducing the negative fund balance, based on future years' operating expenses, if no changes are made to refuse revenues the Refuse Fund will not be able to reduce the deficit (see Attachment B – Status Quo Refuse Fund Sheet). Due to increasing personnel costs, equipment replacement requirements,

maintenance costs and fuel costs, staff recommends an annual five percent adjustment to rates for each of the next three years. For FY 2006, the five percent adjustment is comprised of 1.16 percent increase to the residential rates and 3.84 percent for CPI. Because of the productivity endeavors proposed in Goals 1 and 2, staff will review the financial projections annually to determine if these remaining adjustments are needed. The FY '06 increase is included in the Recommended General Fee schedule adjustments scheduled for City Council review in May, 2005.

### MONTHLY RATES

The proposed adjustments will result in the following monthly increases per service level.

Container Size	Existing Rate	Proposed Rate (July 1, 2005)	Increase
32 gallon	\$10.74	\$11.28	\$0.54
60 gallon	\$17.81	\$18.71	\$0.90
100 gallon	\$27.90	\$29.30	\$1.40

The adjustment in service rates will allow the fund to more accurately recover the expenses incurred in providing refuse and recycling service to our customers. These adjustments are projected to eliminate the negative fund balance by the end of FY 2008 and establish the City-required cash reserves by the end of FY 2009 (See Attachment C – FY 2006 Scenario Refuse Fund Sheet).

Staff also recommends an increase from 14 to 16 percent for the franchise fees charged to commercial refuse and recycling haulers. This adjustment is recommended in order to minimize the increase to the residential refuse rates. Pasadena's proposed franchise rates are within the amounts charged by neighboring jurisdictions. A survey comparing local cities' refuse and franchise fee rates was conducted and the findings are listed on Attachment D.

### REVENUES

Revenue Source	Existing FY 2005	Proposed FY 2006	Increase
Residential	\$6,658,237	\$6,991,149	\$332,912
Franchise	\$942,235	\$1,105,556	\$163,321
<b>Totals</b>			<b>\$496,233</b>

With the proposed adjustments in collection rates and franchise fees, the City projects a \$496,233 increase in revenues to offset increased operations costs and reduce the fund deficit.

### **Goal 5: Continue to increase recycling efforts and diversion of reusable materials from the waste stream.**

The City of Pasadena has consistently surpassed the State-mandated goal of 50 percent waste diversion since the year 2000. Pasadena's current diversion rate is 54

percent Citywide. During FY 2006, an increased effort will be made to reduce yard waste contamination and the overfilling of mixed waste containers by regular inspection and tagging of containers, applying fees to repeat violators per the Pasadena Municipal Code, and changing the size and type of container at individual residences as needed if the violations continue. Stricter adherence to contamination and overfilling protocols will result in a cleaner waste stream at the landfill, less trash spilling on the street from overfilled containers, and appropriate service levels tailored to each household's needs.

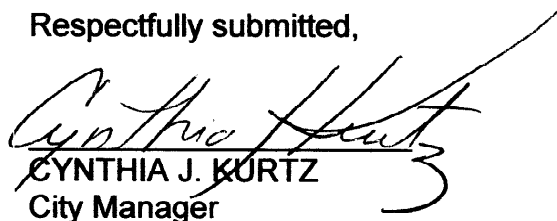
**Goal 6: Transfer the Bulky Item Collection Program from the General Fund to Refuse and increase bulky item service levels to all residential accounts.**

As part of the City Manager's Recommended FY 2006 operating budget, the portion of the expense for the Bulky Item Pick-up Program is proposed to be moved from the General Fund to the Refuse Fund where it can be supported with revenue from the customers who utilize this program. The Bulky Item Pick-up Program allows residents to throw out items that won't fit in trash containers such as: old appliances (except electronic equipment), mattresses, rolls of carpet, furniture, etc. As an added service, it is also proposed to increase the number of allowable bulky item collections a customer can request from the current one per year to two per household per year (additional pick-ups can be scheduled for a fee.)

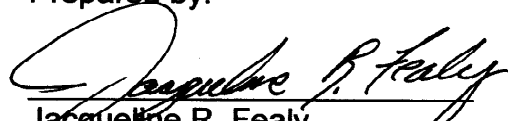
**FISCAL IMPACT**

With the approval of the recommendation, franchise revenues for the refuse program are projected to increase by \$163,321. Furthermore, it is projected that the negative Fund Balance will be eliminated by the end of FY 2008 and the City's fund cash reserve policy will be met by the end of FY 2009.

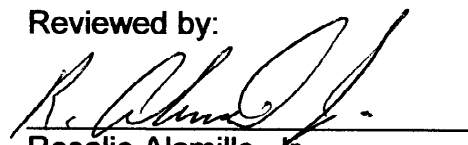
Respectfully submitted,

  
CYNTHIA J. KURTZ  
City Manager

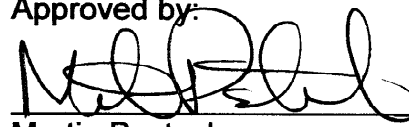
Prepared by:

  
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Reviewed by:

  
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Acting Administrator, Street Maintenance  
and Integrated Waste Management

Approved by:

  
Martin Pastucha  
Director of Public Works

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA  
INCREASING THE NON-EXCLUSIVE SOLID WASTE FRANCHISE FEE**

**WHEREAS**, the City Council in approving a non-exclusive Franchise Fee System and in establishing a new fee entitled "Solid Waste Non-Exclusive Franchise Fee" provided standards and procedures for the granting of non-exclusive franchises for solid waste collection and a mechanism to generate and distribute revenue between the preparation and implementation of an integrated waste management plan and the repair and maintenance of the City's infrastructure due to operation of heavy duty collection vehicles; and

**WHEREAS**, the reasons for enacting such fee are contained in an agenda report dated October 20, 1992, entitled "Franchise Grants for Use of the Public Ways. Establishment of Solid Waste Collection Franchise System;" and

**WHEREAS**, that portion of the total franchise fee which is a fee for services must be increased to pay for those services, and the revenue generated as a result of that 2% increase will go directly toward the increased cost of providing the services outlined in the City's Integrated Solid Waste Management Plan.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF  
THE CITY OF PASADENA THAT:**

- I. The fee entitled "Solid Waste Non-Exclusive Franchise Fee" is increased from 14% to 16%.
- II. Each franchisee with a non-exclusive Solid Waste Collection Franchise granted pursuant to Chapter 8.61 of the Pasadena Municipal Code shall pay a franchise fee to the City during the term of such franchise in the following amount:

Sixteen percent (16%) of any and all gross monthly receipts resulting from the operation of business in the City.

- III. For the purposes of calculation of such franchise fees, "gross monthly receipts" means any and all compensation received by the franchisee in connection with collecting, transporting, disposing, and/or recycling of solid waste kept, accumulated, or produced in the City plus any and all such compensation received by the franchisee or franchisee's subcontractors in connection with collecting, transporting, disposing, and/or recycling of solid waste produced, kept, or accumulated in the City, with the exception of compensation received from sale of material recovered through recycling.
- IV. Each monthly franchise fee payment shall be calculated as 16% of the gross monthly receipts received in the preceding calendar month. Revenue from the franchise fee shall be divided as follows: 5.5% of the gross monthly receipts

shall be paid to the City general fund (to a maximum of \$420,000 annually) and 10.5% of the gross monthly receipts shall be placed in a special fund account to be used only for costs stated in Public Revenue Code Section 41901 or any successor provision for preparing, adopting, and implementing an integrated Solid Waste Management Plan.

**ADOPTED** at the regular meeting of the City Council of the City of Pasadena on the \_\_\_\_\_ day of \_\_\_\_\_, 2005, by the following vote:

AYES:


NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Jane Rodriguez, CMC  
City Clerk

APPROVED AS TO FORM:

 5/11/05

\_\_\_\_\_  
Nicholas George Rodriguez  
Assistant City Attorney