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## Solid Waste Service Level and Rate Update

This report provides the City Council with an update on the Public Works Department Solid Waste Management Program and presents options for solid waste service levels and rates.

### **THIS ITEM IS FOR INFORMATION AND DISCUSSION.**

#### **Summary**

The Public Works Department Solid Waste Management Program assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the community's solid waste stream, including collection, disposal, source reduction and recycling activities. The Department provides solid waste collection service to approximately 400,000 residential customers. Last year, the Department collected and processed more than 1.1 million tons of material at two City-owned transfer stations and Materials Recovery Facilities (MRFs). The City also owns and operates the State Route 85 Landfill in Buckeye, Ariz.

Phoenix is experiencing substantial population growth. Based on growth and new account trends, the Department forecasts 3,550 new Solid Waste customer accounts will be opened this Fiscal Year and anticipates this growth to continue in Fiscal Year 2020-21. The local economy is also strong, resulting in larger volumes of garbage thrown away per household. Services provided include: weekly residential curbside trash and recycling collection; quarterly bulk trash collection; processing recyclable materials; managing solid waste materials; and nine annual household hazardous waste events across the City. These services are provided to ensure the health and safety of Phoenix residents; to protect the environment and preserve natural resources; and to divert solid waste from the landfill. In 2013, City Council initiated the Reimagine Phoenix Initiative, setting a waste diversion goal of 40 percent by 2020. In April 2016, City Council adopted a goal to achieve Zero Waste by 2050.

Revenues for the Solid Waste Program are generated by monthly fees charged for residential household service, disposal fees charged at the transfer stations and landfill, and the sale of recycled materials. For the past 10 years, the current monthly residential solid waste rate has remained unchanged at \$26.80 per month, per

household. The transfer station disposal fee has also remained unchanged for the past 10 years at \$38.25 per ton. The residential rate and the transfer station and landfill disposal fees are currently published in Chapter 27 of the Phoenix City Code and require City Council approval to amend.

Since the last rate increase, the Solid Waste Management Program has withstood various economic pressures. Inflation has averaged 2.5 percent each year. The solid waste utility is also experiencing rising fleet maintenance costs and vehicle breakdowns resulting from an aging fleet, as the utility has been unable to adequately fund replacement trucks. As recycling markets have responded to international policy changes enacted in 2017, recycling revenues have decreased. For example, revenue from the sale of recyclables in Fiscal Year 2017-18 was \$8.9 million. This Fiscal Year, the forecast is \$3.3 million, a reduction of \$5.6 million in annual revenue.

### **Discussion**

On June 11, 2018, the City Manager appointed a Solid Waste Rate Advisory Committee consisting of business, industry and non-profit representatives and community leaders to review revenues, expenses and the utility rate forecast process and make recommendations regarding solid waste rates. On May 1, 2019, with the concurrence of the Solid Waste Rate Advisory Committee, City Council authorized the Public Works Department to enter into a contract with NewGen Strategies and Solutions (NewGen) to conduct a comprehensive solid waste cost of service and rate design study, including: Cost of Service and Rate Design Study; Benchmarking Analysis; and Recycling Market Analysis. NewGen's report, including recommendations to systematically address the City's primary solid waste user fee mechanisms, was presented to the Solid Waste Rate Advisory Committee in October 2019.

On Oct. 22, 2019, the Solid Waste Rate Advisory Committee approved recommending the four solid waste rate options outlined below to the City Manager for consideration by the City Council. Each of the rate options includes recommended capital and operating program reductions and efficiencies. The rate options also include additional revenue by increasing the disposal fee for customers at the transfer stations and landfill, amending current recycle agreements, and implementing a new commercial hauler permit program, similar to programs in most other Valley cities. Revenue from the new commercial hauler permit program is designed to cover a portion of the costs associated with providing citywide code enforcement and community clean-up events.

Maintaining the current rate would require \$36.5 million in service cuts, which include every other week recycling, the elimination of bulk trash and household hazardous waste events, closing the compost facility and one of the City's recycling facilities,

removal of eco stations, and the elimination of approximately 135 staff positions.

Each proposed option includes a recommendation to add a two percent inflation to the rate, each year, to align with annual inflation impacts.

Option One

Maintain current service levels and increase the solid waste residential rate to \$33.20, an increase of \$6.40 per month.

Option Two

Suspend the city's compost program by eliminating curbside green organics collection and terminating operations of the compost facility for all customers. This option would increase the solid waste residential rate to \$32.45, an increase of \$5.65 per month.

Option Three

Adjust the collection frequency of recycle containers to every other week, which more closely aligns with service demand. This option reduces the staff and equipment required for collection, reduces emissions and vehicles miles traveled, and maintains full access to recycling and composting for all participating customers. An approved variance plan from the State of Arizona with concurrence from Maricopa County is required to implement this change. This option would increase the solid waste residential rate to \$32.30, an increase of \$5.50 per month.

Option Four

Suspend the City's recycle program and suspend the City's compost program by eliminating curbside green organics collection and terminating operations of the compost facility for all customers. All refuse will be collected as trash and sent to the landfill for disposal. This option would increase the solid waste residential rate to \$31.55, an increase of \$4.75 per month.

Additional details regarding the four solid waste rate options are outlined in **Attachment A**.

In addition to the new proposed monthly residential rates, rate changes to the City's disposal fees are required. As required by Arizona Revised Statutes, section 9-499.15, staff will post a 60-day notice of intent to increase rates and fees. Staff will return to City Council for action no earlier than Jan. 29, 2020.

**Responsible Department**

This item is submitted by Deputy City Manager Karen Peters and the Public Works Department.

**Attachment A**

Residential Rate Adjustment Options	Increase	Proposed Rates*	
		April 2020	2021-2026
Current Residential Rate \$26.80			
Option 1	\$6.40	\$33.20	*
Option 2	\$5.65	\$32.45	*
Option 3	\$5.50	\$32.30	*
Option 4	\$4.75	\$31.55	*

\*Two percent inflation to be added to residential rate each year effective first bill day in January.

Note: City Council may adopt any rate up to a maximum increase.

Alternate Phased in Residential Rate Adjustment Options 1 through 3	Increase		Proposed Rates*		
	Year 1	Year 2	April 2020	January 2021	2022-2026
Current Residential Rate \$26.80					
Option 1	\$3.75	\$3.25	\$30.55	\$33.80	*
Option 2	\$3.75	\$2.50	\$30.55	\$33.05	*
Option 3	\$3.75	\$2.40	\$30.55	\$32.95	*

\*Two percent inflation to be added to residential rate each year effective first bill day in January.

Note: City Council may adopt any rate up to a maximum increase.

Level of Service	Current Rate	Increase	Proposed Rates						
			FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Refuse Tipping Fee (\$/Ton)	\$38.25	\$3.75	\$42.00	\$42.00	\$44.00	\$44.00	\$45.00	\$45.00	\$45.00
Additional 90-gallon - garbage	\$13.40		Half the rate of the applicable residential rate						
Additional 300-gallon - garbage	\$80.40		3x the rate of the applicable residential rate						
Individual 60-gallon - garbage	\$23.80		\$3 less than the applicable residential rate						

Level of Service	Current Rate	Increase	Proposed Rates						
			FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Establish Commercial Hauler Permit Fee	N/A	\$1,000.00	Per truck rate established by Director and published by Department						