



FISCAL IMPACT STUDY – RESIDENTIAL SOLID WASTE AND STREET SWEEPING

Public Works Department

Finance Committee

March 13, 2019

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BACKGROUND

1. City trash collection crews service two thirds of the City's residents;
2. City crews provide street sweeping services for the entire City;
3. Operating costs are covered by refuse rates managed in the Refuse Fund;



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BACKGROUND (CONT.)

4. 2002 – Last independent review of the Solid Waste operation;
5. 2018 - Staff discussed a need to review the solid waste system before Finance Committee and City Council; and
6. 2019 – Independent auditor recommends comparing city and contract costs of service for residential waste collection and sweeping with aid of a consultant and Finance Committee request for staff update .



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FOOTNOTES

1. SEIU Refuse - Memorandum of Understanding;
2. Staff is in the process of reviewing Request for Proposals for an assessment of operations, regulatory requirements, contracts and finances; and
3. Today's discussion is based on staff's best estimate given the City's **current** situation.



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DISCUSSION*

1. Operation does not rely on City (General) Funds;
2. Revenues currently fund the operation;
3. Direct operating (collection) cost estimates per household based on bid in 2000:
 1. City = \$14.65
 2. Private = \$8.67
4. Direct operating costs do not include additional program aspects provided by the City that further enhance the cost of service;



*based on current situation/contracts

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DISCUSSION (CONT.)

5. Revenue:
 - a) City may be eligible to receive additional franchise fee revenue (General Fund) – negotiated item;
 - b) No General Fund contribution;
 - c) Expenditures still outpacing revenues; and
 - d) New rate stabilizes Fund balance.
6. Asset Disposition:
 - a) Proceeds for equipment sale not eligible for General Fund expenditures; and
 - b) Appraisals required to assess full fleet valuation.



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INDIRECT AND OTHER SERVICES

City Admin & Services



Other City Programs



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THE CALPERS CHALLENGE

1. Estimated obligation is \$14 m (needs to be verified with actuarial specific to Refuse Fund);
2. Obligation exists whether City or private entity collects waste; and
3. If outsourced, the obligation may be:
 - a) Transferred to the General Fund;
 - b) Eliminated in whole or in part;
 - c) Renegotiated with the existing private residential waste hauler; or
 - d) Included in a new bid request.



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FISCAL IMPACT

1. Rates approved in December stabilized the Fund through June 2020;
2. Immediate windfall or 'savings' to the City not anticipated should operations transfer to private hauler (without service impacts and/or staffing reductions in various departments);
3. Solid Waste consultant to provide operational and/or contract recommendations with longer term financial and rate plan; and



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FISCAL IMPACT

4. City has managed operations & Refuse fund responsibly.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 Budget (No Rate Increase)	FY 2019 Projected ¹ Budget (Rate Increase)	FY 2020 (Est 2% Rate Increase)
Revenues	\$21.8 M	\$22.2 M	\$23.1 M	\$24.2 M	\$23.0 M	\$23.1 M	\$25.3 M
Expenditures	\$20.0 M	\$21.7 M	\$22.3 M	\$24.6 M	\$25.2 M	\$25.5 M	\$26.3 M
Net (loss)	\$1.8 M	\$0.6 M	\$0.8 M	(\$0.3 M)	(\$2.2 M)	(\$2.4 M)	(\$1.0 M)
Ending Working Capital			\$5.2 M	\$4.8 M	\$2.7 M	\$2.4 M	\$1.4 M



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UNKNOWNNS (TBD)

1. How would 'other' and indirect services be redeployed?
2. Would contract provider assume unfunded PERS liability? What if they don't?
3. Contract changes *likely to* impact rates, but to what degree is not known.
4. Loss of rate control if privatized.
5. Financial gains from efficiencies in the City operation?



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RECOMMENDATION

That the Finance Committee receive and provide input on a report on the estimated fiscal impacts of contracting street sweeping services and residential waste collection in areas serviced by City crews.



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