

Solid Waste and Recycling Program Review Economic and Strategic Study



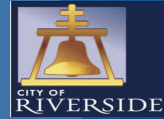
PRESENTATION TO:
City of Riverside Finance Committee
November 13, 2019

Presentation Outline

- ▶ Objectives
- ▶ Major Findings
 - ▶ General
 - ▶ Operational Issues
 - ▶ Refuse Vehicle Fleet
 - ▶ Daily Route Workloads
 - ▶ Contract | Municipal Code Revisions
 - ▶ Financial Issues
 - ▶ Rate Adjustments
 - ▶ Outsourcing
- ▶ Recommendations
 - ▶ Rate Increases
 - ▶ Investing in Municipal Operations
 - ▶ Outsourcing
 - ▶ Legislative Compliance
 - ▶ Collection Contracts & Municipal Code

Objectives

- ▶ Project the City's net cost of outsourcing the Solid Waste Division's residential collection operations to the private sector.
- ▶ Review the Division's operations with the goal of identifying opportunities for improvement and financial performance.
- ▶ Project the additional investment needed to bring the Division's operations in line with Industry Standards.
- ▶ To project the level of residential rate increase necessary to:
 - ▶ Support that additional investment in the Division;
 - ▶ Fully fund the Division's annual operating costs; and
 - ▶ Achieve and maintain an adequate level of working capital (i.e., operating reserves).
- ▶ Identify alternative structures to the City's existing districted residential, and non-exclusive commercial collection systems.



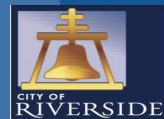
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SLIDE 2

Major Findings

– General –

- ▶ The major advantage of municipal operations is the direct control that the jurisdiction has over its solid waste management system
- ▶ Flip side is that control comes with total responsibility for the safety, and operational, financial and regulatory compliance aspects of operations.
- ▶ The Division is doing a good job with available resources.
- ▶ Available resources are not sufficient to operate to Industry Standards – additional staff and vehicles are needed
- ▶ Division management and staff appear to be dedicated and qualified, which is a prerequisite to safe and effective collection operations.
- ▶ Division and Fleet management have a good working relationship, which is a prerequisite to safe and effective collection operations.

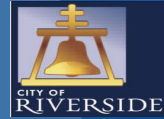


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SLIDE 3

Major Findings

– Operational Issues –



Agua Mansa Transfer Station

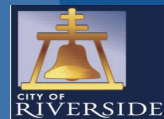
- ▶ The turnaround time at the Agua Mansa Transfer Station regularly takes 45 minutes to 1 hour.
- ▶ The transfer station contract establishes a 15-minute maximum turnaround time for City and City-contracted haulers
- ▶ Reducing the turnaround time is the single greatest step the City can take to reduce the cost of its residential collection system, whether it continues to operate that system or outsources it to the private sector
 - A reduction in the turn around time of 10 minutes per load is equivalent to a savings of 1.2 full time equivalent (FTE) routes
 - A reduction of 20 minutes = 2.4 FTE routes (~\$500k annual savings - \$7.50 per residential account (\$0.62 per month)



SLIDE 4

Major Findings

– Operational Issues –



- ▶ Manual service is provided to accounts that can be serviced with fully automated vehicles for a small additional cost
- ▶ Many manual accounts do not properly containerize their materials and are not in compliance with the Municipal Code.
- ▶ Solid waste operators are on an "Incentive Off" system – once they complete their assigned route they can go home.
- ▶ Residential recyclables are highly contaminated (30-40%+)

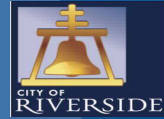


SLIDE 5

Major Findings

– Refuse Vehicle Fleet –

- ▶ The Fleet is old and does not provide sufficient reliable vehicle capacity to safely and effectively complete the daily work load.
- ▶ Average age of Fleet is 10 years – At 10 years vehicles typically get replaced.
- ▶ Refuse Fund FY 19/20 budget includes \$1.1 million for the replacement of 3 fully automated vehicles – that is good and provides sufficient capital to maintain reasonable fleet age going forward, once reasonable fleet age is achieved
- ▶ Five (5) new fully automated side loaders are needed to provide a sufficient number of reliable primary route vehicles (23 total routes)
- ▶ The current value of the Refuse Fleet is \$3.3 million.
- ▶ The Division and Fleet management have a good working relationship, which is required for a safe and effective collection operation



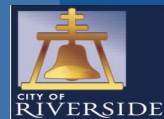
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SLIDE 6

Major Findings

– Daily Route Work Loads –

- ▶ Current daily route workloads (# of accounts per route per day) are not balanced among the routes and in some cases exceed what represents a reasonable daily workload.
- ▶ Initial estimates are that the Division needs at least two (2) additional routes; one (1) for refuse and one (1) for recycling.
- ▶ This analysis assumes that each route can complete its daily workload and only have to make two (2) trips to the transfer station each day.
- ▶ At an average of 2.5 loads per day, five (5) additional routes are projected to be required.



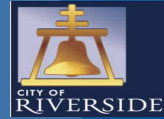
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SLIDE 7

Major Findings

– Contract | Municipal Code Revisions –

- ▶ Burrtec's residential collection contract expires in less than one (1) year – June 30, 2020
- ▶ Commercial collection contracts (Athens, Burrtec, CR&R) expire on June 30, 2023 – After SB 1383 regulations take effect
- ▶ The City needs to incorporate SB 1383 residential organics recovery requirements into any new residential collection contract
- ▶ The City needs to negotiate changes to its commercial collection contracts to incorporate AB 1826 and SB 1383 commercial organic recycling requirements.
- ▶ The City needs to put in place the required SB 1383 Ordinance requiring all impacted parties (residential and commercial generators, private haulers, self-haulers) to comply with the regulations



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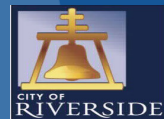
SLIDE 8

Major Findings

– Financial Issues –

The Refuse Fund funds:

- ▶ The Division's residential collection services;
- ▶ Burrtec's residential contracted collection services;
- ▶ Division street sweeping operations;
- ▶ Landfill post closure costs;
- ▶ Other solid waste management services
 - CURE
 - Keep Riverside Clean & Beautiful



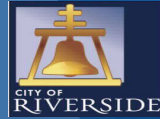
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SLIDE 9

Major Findings

– **Refuse Fund has a \$3 Million Deficit** –

	Adopted		Projected		
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
User Fees	\$ 21,383,857	\$ 21,383,857	\$ 21,383,857	\$ 21,383,857	\$ 21,383,857
Street Sweeping Fines	\$ 1,207,200	\$ 1,250,000	\$ 1,293,750	\$ 1,339,031	\$ 1,385,897
Misc. Revenues	\$ 462,578	\$ 462,578	\$ 462,578	\$ 462,578	\$ 462,578
Total Revenues	\$ 23,053,635	\$ 23,096,435	\$ 23,140,185	\$ 23,185,466	\$ 23,232,332
Expenses	\$ 25,232,031	\$ 26,191,876	\$ 26,826,705	\$ 27,449,841	\$ 27,956,450
Surplus/(Deficit)	\$ (2,178,396)	\$ (3,095,441)	\$ (3,686,520)	\$ (4,264,375)	\$ (4,724,118)
FY Beginning Working Capital	\$ 5,302,983	\$ 3,124,587	\$ 29,146	\$ (3,657,374)	\$ (7,921,749)
Use of Working Capital	\$ (2,178,396)	\$ (3,095,441)	\$ (3,686,520)	\$ (4,264,375)	\$ (4,724,118)
FY Ending Working Capital	\$ 3,124,587	\$ 29,146	\$ (3,657,374)	\$ (7,921,749)	\$ (12,645,867)
Working Capital Percentage of Expenses	12%	0%	-14%	-29%	-45%



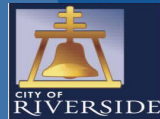
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SLIDE 10

Major Findings

– Rate Adjustments –

- ▶ A **20% Rate Increase** effective July 1, 2020, would address that \$3 million shortfall and put Refuse Fund in a reasonable financial position for FY 20/21:
 - If it maintains the Division's residential collection operations;
 - or
 - If it decides to outsource those operations.



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SLIDE 11

July 1, 2020 Rate Adjustment



	Adopted		Projected		
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
User Fees	\$ 21,383,857	\$ 21,383,857	\$ 25,660,628	\$ 25,660,628	\$ 25,660,628
Street Sweeping Fines	\$ 1,207,200	\$ 1,250,000	\$ 1,293,750	\$ 1,339,031	\$ 1,385,897
Misc. Revenues	\$ 462,578	\$ 462,578	\$ 462,578	\$ 462,578	\$ 462,578
Total Revenues	\$ 23,053,635	\$ 23,096,435	\$ 27,416,956	\$ 27,462,237	\$ 27,509,103
Expenses	\$ 25,232,031	\$ 26,191,876	\$ 26,826,705	\$ 27,449,841	\$ 27,956,450
Surplus/(Deficit)	\$ (2,178,396)	\$ (3,095,441)	\$ 590,251	\$ 12,396	\$ (447,347)
FY Beginning Working Capital	\$ 5,302,983	\$ 3,124,587	\$ 29,146	\$ 619,397	\$ 631,794
Use of Working Capital	\$ (2,178,396)	\$ (3,095,441)	\$ 590,251	\$ 12,396	\$ (447,347)
FY Ending Working Capital	\$ 3,124,587	\$ 29,146	\$ 619,397	\$ 631,794	\$ 184,447
Working Capital Percentage of Expenses	12%	0%	2%	2%	1%
Assumed Rate Adjustments			20%	0%	0%

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SLIDE 12

Minimum Required Investment in Division's Operations

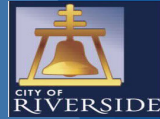


- ▶ The Division is doing a good job with the resources it has (staff and vehicles), but those resources are not sufficient to operate at Industry Standards.
- ▶ At a minimum, the Division needs the following additional resources:
 - 7 new fully-automated vehicles (~\$2.6 million- \$315K annually)
 - Two additional drivers (\$176,000); and
 - One additional Supervisor I (\$123,000)
- ▶ The above investment provides for two (2) additional daily routes

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SLIDE 13

Rate Increase to Fully Fund Current Division Operations

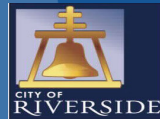


	Adopted		Projected		
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
User Fees	\$ 21,383,857	\$ 21,383,857	\$ 28,600,909	\$ 28,600,909	\$ 28,600,909
Street Sweeping Fines	\$ 1,207,200	\$ 1,250,000	\$ 1,293,750	\$ 1,339,031	\$ 1,385,897
Misc. Revenues	\$ 462,578	\$ 462,578	\$ 462,578	\$ 462,578	\$ 462,578
Total Revenues	\$ 23,053,635	\$ 23,096,435	\$ 30,357,237	\$ 30,402,518	\$ 30,449,384
Operating Expenses	\$ 25,232,031	\$ 26,191,876	\$ 26,826,705	\$ 27,449,841	\$ 27,956,450
One Time Vehicle Replacement ⁽¹⁾			\$ 315,000	\$ 315,000	\$ 315,000
Additional Route Drivers ⁽²⁾			\$ 176,000	\$ 181,280	\$ 186,718
One Additional Supervisor I Position ⁽³⁾			\$ 123,000	\$ 126,690	\$ 130,491
Expenses	\$ 25,232,031	\$ 26,191,876	\$ 27,440,705	\$ 28,072,811	\$ 28,588,659
Surplus/(Deficit)	\$ (2,178,396)	\$ (3,095,441)	\$ 2,916,532	\$ 2,329,707	\$ 1,860,725
FY Beginning Working Capital	\$ 5,302,983	\$ 3,124,587	\$ 29,146	\$ 2,945,678	\$ 5,275,384
Use of Working Capital	\$ (2,178,396)	\$ (3,095,441)	\$ 2,916,532	\$ 2,329,707	\$ 1,860,725
FY Ending Working Capital	\$ 3,124,587	\$ 29,146	\$ 2,945,678	\$ 5,275,384	\$ 7,136,109
Working Capital Percentage of Expenses	12%	0%	11%	19%	25%
Assumed Rate Adjustments			34%	0%	0%

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SLIDE 14

Major Findings – Outsourcing –



- Division's cost per account is ~ 20% more than Burrtec's

	FY 2019-2020 Budgeted Amount	Residential Accounts	Annual Cost per Account
413010 PW Solid Waste Collection	\$ 13,726,852	41,429	\$331
413030 PW Private Hauler	\$ 6,686,502	25,725	\$260

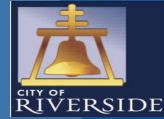
- Assuming an outsourced cost equivalent to Burrtec's Annual Cost per Account (\$260) = 20% savings over Division's costs
- The above does not account for 20% rate increase needed to address \$3 million deficit.
- That potential 40% (20% + 20%) is what the City has to work with to cover "Refuse Fund Costs that Remain" with outsourcing without having to further increase rates or use General Fund funds

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SLIDE 15

Major Findings

– Outsourcing –



- “Refuse Fund Costs that Remain” if the Division’s residential collection operations are outsourced

Expenses	2019/20 Budget			Descriptions
	Amount	Eliminated	Remaining	
413000 PW Solid Waste Admin	\$ 967,920	\$ -	\$ 967,920	Enterprise Fund admin costs
413010 PW Solid Waste Collection	\$ 15,795,170	\$ 12,657,590	\$ 3,137,580	Division collection costs
413020 PW Refuse Disposal	\$ 547,593		\$ 547,593	Closed landfill costs
413030 PW Private Hauler	\$ 4,618,184		\$ 4,618,184	Burrtec contract
413040 PW Street Sweeping	\$ 4,079,307		\$ 4,079,307	Street sweeping
413050 PW Sundry/GG	\$ 151,486		\$ 151,486	Keep Riverside Beautiful
Total Expenditures	\$ 26,159,660	\$ 12,657,590	\$ 13,502,070	
Percent of Total	100%	48%	52%	
Costs Currently in Rates that would Stay in Rates			\$ 9,396,570	
Overhead Costs that do not go away			\$ 4,105,500	
Percent of PW Solid Waste Collection Costs			26%	

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SLIDE 16

Expenses	FY 2019/20 Budget	Descriptions
413000 PW Solid Waste Admin	\$ 967,920	Enterprise Fund admin costs
413010 PW Solid Waste Collection	\$ 15,795,170	Division collection costs
413020 PW Refuse Disposal	\$ 547,593	Closed landfill costs
413030 PW Private Hauler	\$ 4,618,184	Burrtec contract collection Cost
413040 PW Street Sweeping	\$ 4,079,307	Street sweeping
413050 PW Sundry/GG	\$ 151,486	Keep Riverside Beautiful
Total Expenditures	\$ 26,159,660	
413010 (City) + 41303 (Burrtec) = Citywide Residential Collection Cost	\$ 20,413,354	
413010 PW Solid Waste Collection Costs That Do Not Go Away	\$ 3,137,580	
413010 Fund 511 (Billing and Customer Service) Utilization Charges	\$ 1,484,297	City will continue to provide Billing and Customer Service
413010 PW Solid Waste Collection Costs That Do Not Go Away less Fund 501 Charges	\$ 1,653,283	To be funded through Franchise Fee
413000 PW Solid Waste Admin Costs that Do Not Go Away	\$ 967,920	To be funded through Franchise Fee
Costs that Do Not Go Away to be Funded by Franchise Fee	\$ 2,621,203	TOTAL TO BE FUNDED THROUGH FRANCHISE FEE
Outsourced Contractor Break-Even City-Wide Cost -	\$ 18,760,071	Not Including Franchise Fee Expense
Non Collection Costs to be Funded Through Solid Waste Rates	\$ 4,778,386	Funded through collection rate
Total Expenditures	\$ 26,159,660	
Franchise Fee Percentage	14.0%	Funded through Franchise Fee



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SLIDE 17

413010 PW Solid Waste Collection					
Personnel	\$ 4,255,183	\$ 4,255,183			
Non-Personnel	\$ 7,084,529	\$ 6,984,529	\$ 100,000		office support activity costs will remain - phone, marketing/advertising, office supplies, computers
Special Projects CURE	\$ 317,878	\$ 317,878			Outsource CURE and curbside Christmas Tree Pickup
Total Equipment Outlay	\$ 1,100,000	\$ 1,100,000			
Total Debt Service	\$ 167,402		\$ 167,402		cost remains, pension obligation bonds (principal & int
CAP	\$ 838,648		\$ 838,648		cost remains, reallocated to remaining funding sources
Utilization Charges from 101 Fund	\$ 489,287	\$ -	\$ 489,287		should city decide to reduce corp yard office support staffing levels some savings could be realized; otherwise cost remains, reallocated to remaining funding sources;
Utilization Charges from 510 Fund	\$ 1,484,297	\$ -	\$ 1,484,297		should city decide to reduce operational costs in the areas Call Center, Customer Service, Utilities Business Services, and/or Billing Services some savings could be realized; otherwise cost remains, reallocated to remaining funding sources;
Charges for Admin - Safety Officer	\$ 57,946		\$ 57,946		cost remains, reallocated to remaining funding sources
	\$ 15,795,170	\$ 12,657,590	\$ 3,137,580		
413020 PW Refuse Disposal					
Total Expenditures	\$ 547,593		\$ 547,593		Closed landfill costs
413030 PW Private Hauler					
Total Expenditures	\$ 4,618,184		\$ 4,618,184		Burrtec contract
413040 PW Street Sweeping					
Total Expenditures	\$ 4,079,307		\$ 4,079,307		Street sweeping
413050 PW Sundry/GG					
Total Expenditures	\$ 151,486		\$ 151,486		Keep Riverside Beautiful
Total Expenditures	\$ 26,159,660	\$ 12,657,590	\$ 13,502,070		
Percent of Total	100%	48%	52%		
Cost for Other Services Currently in Rates That Would Stay in Rates		\$ 9,396,570			
Costs That Do Not Go Away		\$ 4,105,500			
Cost that Do Not Go Away as Percent of PW Solid Waste Collection Costs			26%		



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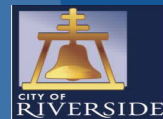
SLIDE 18

Recommendations

– Rate Increases –

- ▶ Increase residential rates a minimum of 20% on July 1, 2020.
- ▶ If the Division continues to provide residential collection services - Increase rates 34%;
 - 34% July 1, 2020; or
 - 20% July 1, 2020 + 10% July 1, 2021 + 10% July 1, 2022 + ???

Note: The above rate increases do not account for compliance with SB 1383 requirements, including weekly residential food waste collection



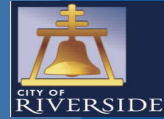
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SLIDE 19

Recommendations

– If Investing in Municipal Operations –

- ▶ Conduct Collection System Routing Study
- ▶ Reroute Residential Collection System
- ▶ Review street sweeping productivity and reroute street sweepers
- ▶ Eliminate “Manual Service Option” for all accounts that can be serviced with semi- or fully-automated vehicles *(also applies if outsourced)*
- ▶ Enforce container ordinance for any manual accounts that cannot be serviced with semi- or fully-automated vehicles
- ▶ Eliminate “Incentive Off” Policy
- ▶ Continue to annually fund \$1.1 million in annual vehicle replacement costs – Establish Vehicle Replacement Reserve Fund
- ▶ Evaluate condition of residential carts and develop 10-year replacement plan – Establish Cart Replacement Reserve Fund



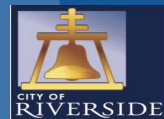
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SLIDE 20

Recommendations

– Outsourcing –

- ▶ Informally explore with haulers in the region what economic or other benefits they may be willing to provide the City and its ratepayers in exchange for a long-term exclusive residential collection system
- ▶ Review / Refine “Breakeven” Analysis and those City costs that would not go away if Division’s operations were outsourced
 - Including the portion of the “Central Garage Charges” (\$2M) that would remain if collection operations are outsourced
- ▶ Conduct additional review of street sweeping operations
 - ▶ Required Investment if any
 - ▶ Costs that would remain if outsourced
- ▶ Determine whether to Invest in the Division or Outsource Operations



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SLIDE 21

QUESTIONS & ANSWERS

THANK YOU FOR YOUR TIME

For additional questions, contact:

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