

Solid Waste and Recycling Program Review Economic and Strategic Study



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

Presentation Outline

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

Regulatory/Legislative Compliance

Key Legislation



AB 341 and 1826

Mandatory Commercial Recycling and Organics Collection Requirements

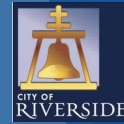
- ✓- Identifying covered generators
- ✓- Provide recycling/organics programs
- ✓- Education and outreach
- ✓- Monitor compliance and report progress



AB 1594

Green Material Used as Alternative Daily Cover

January 1, 2020 -
Not counted as diversion

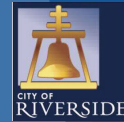
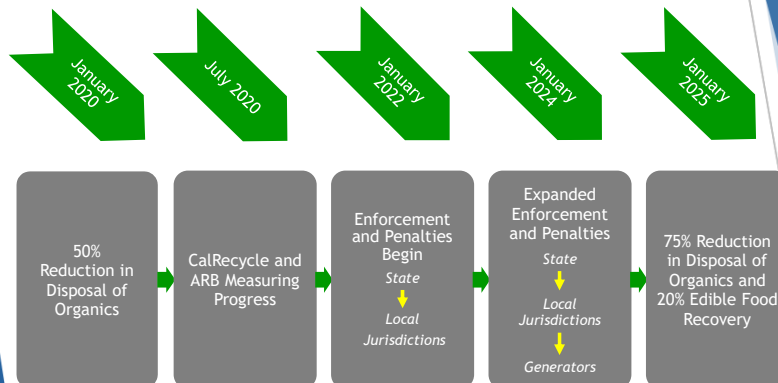


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Regulatory/Legislative Compliance

Key Legislation – SB 1383

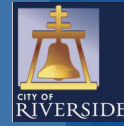


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Regulatory/Legislative Compliance

SB 1383 Cost Elements



Containers
and Labeling



Contamination
Monitoring



Outreach and
Education



Enforcement



Collection and
Routing Costs



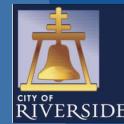
Processing
Costs

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Regulatory/Legislative Compliance

SB 1383 Timeline



2020 GOAL



50% Reduction
in organics to landfill



126,000 tons reduction
in organics disposal needed

**2018 Organic Waste
Disposal: 252,000**

2025 GOAL



75% Reduction
in organics to landfill



20% Recovery of
edible food



189,000 tons
reduction in organics
disposal needed

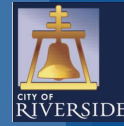
**2025 Organic Waste
Disposal Goal: 63,000**

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Regulatory/Legislative Compliance

Significant Program Requirements

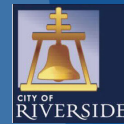


- ▶ All jurisdictions can adopt fees to pay for program requirements
- ▶ City Purchasing requirements
 - ▶ Renewable Natural Gas
 - ▶ Recycled content paper products
 - ▶ Mulch or compost products
- ▶ Significant penalties for non-compliance:
 - ▶ For jurisdictions, \$500-\$10,000 per day, depending upon the violation
 - ▶ For generators, jurisdictions will be required to assess penalties \$50-\$500 for first violation starting in 2024



Regulatory/Legislative Compliance

Significant Program Requirements



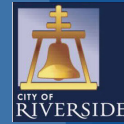
At the latest, by January 1, 2022....

- ▶ Each jurisdiction must pass an enforceable ordinance for:
 - ▶ Mandatory organics subscription with penalties
 - ▶ CALGreen requirements (enclosure space and diversion of 65%)
 - ▶ Non-residential self-haul requirement to source-separate, deliver to processing, and report to jurisdiction



Regulatory/Legislative Compliance

Significant Program Requirements

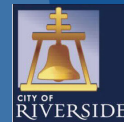


- ▶ Franchise agreements must be amended to refer to SB 1383 requirements, such as:
 - Mandatory food scraps to be collected for all customers (residential and commercial)
 - Container color standardization
- ▶ Edible food recovery program requirements
 - Identifying generators & recovery organizations
 - Educating generators & enforcing requirement to send food for recovery

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Regulatory/Legislative Compliance

Organics Collection Programs



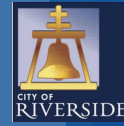
- ▶ From residents via curbside programs
 - Commingled green material
 - Food scraps
 - Food-soiled paper
- ▶ From commercial businesses
 - Food scraps
 - Food scraps + Food Soiled paper + Green material
- ▶ Non-residential Self-haul to organics processing facility



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Regulatory/Legislative Compliance

CalRecycle Perspective

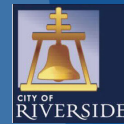


- ▶ Regulations are written to meet the statewide targets, regardless of local cost
- ▶ Requirements are extensive and penalties for non-compliance (generators and jurisdictions) are high
- ▶ CalRecycle will not allow jurisdictions' compliance by "Good Faith Effort"



Major Findings

General

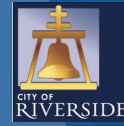


- ▶ The major advantage of municipal operations is the direct control that the jurisdiction has over its solid waste management system
- ▶ Flip side is that control comes with total responsibility for the safety, and operational, financial and regulatory compliance aspects of operations.
- ▶ The Division 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 a safe and effective collection operations.
- ▶ Division and Fleet management have a good working relationship, which is a prerequisite to a safe and effective collection operations.



Major Findings

Operational Issues



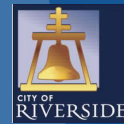
Agua Mansa Transfer Station

- ▶ The turnaround time at the Aqua 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)



Major Findings

Operational Issues

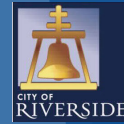


- ▶ Manual service is provided to accounts that can be serviced with fully automated vehicles for a small additional cost
- ▶ Many manual accounts do not properly containerize their materials and are not in compliance with the Municipal Code.
- ▶ Solid waste operators are on an "Incentive Off" system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



Major Findings

Refuse Vehicle Fleet



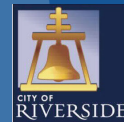
- ▶ The Fleet is old and does not provide sufficient reliable vehicle capacity to safely and effectively complete the daily work load.
- ▶ Average age of Fleet is 10 years – At 10 years vehicles typically get replaced.
- ▶ Refuse Fund FY 19/10 budget includes \$1.1 million for the replacement of 3 fully 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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Major Findings

Daily Route Work Loads



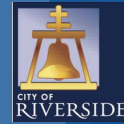
- ▶ Current daily route workloads (# of accounts per route per day) are not balanced among the routes and in some cases exceed what represents a reasonable daily workload.
- ▶ Initial estimates are that the Division needs at least two (2) additional routes; one (1) for refuse and one (1) for recycling.
- ▶ 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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Major Findings

Contract / Muni Code Revisions



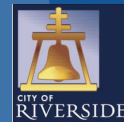
- ▶ Burrtec's residential collection contract expires in less than one (1) year – June 30, 2020
- ▶ Commercial collection contracts (Athens, Burrtec, CR&R) expire on June 30, 2023 – After SB 1383 regulations take effect
- ▶ The City needs to incorporate SB 1383 residential organics recovery requirements 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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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 Beautiful

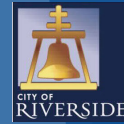
- ▶ ***Refuse Fund has a \$3 Million Deficit***

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Investment Is Needed

Division's Operations

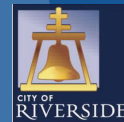


- ▶ The Division is doing a good job with the resources it has (staff and vehicles), but those resources are not sufficient to operate at Industry Standards.
- ▶ At a minimum, the Division needs the following additional resources:
 - 7 new fully-automated vehicles (~\$2.6 million- \$315K annually)
 - Two additional drivers (\$176,000); and
 - One additional Supervisor 1 (\$123,000)
- ▶ The above investment provides for two (2) additional daily routes



Major Findings

Rate Adjustments Are Needed

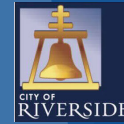


- ▶ A **20% Rate Increase** effective July 1, 2020 would address that \$3 million shortfall and put Refuse Fund in a reasonable financial position for FY 20/21:
 - If it maintains the Division's residential collection operations;
 - or
 - If it decides to outsource those operations.
- ▶ A **34% Rate Increase** effective July 1, 2020 would fully fund the Division's operations and start building needed capital reserves



Major Findings

Outsourcing May Partially Offset Cost Increases



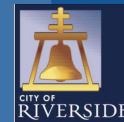
- ▶ The Division's cost per account is ~ 20% more than Burrtec's
 - ▶ The above does not account for 20% rate increase needed to address the current \$3 million deficit
- ▶ \$4.1M in costs would remain even if Outsourced
- ▶ The City's \$14M pension liability would remain even if Outsourced

	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

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Major Findings

Outsourcing Does Eliminate All Costs



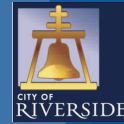
- ▶ "Refuse Fund Costs that Remain" if the Division's residential collection operations are outsourced

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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Major Findings

Commercial Services

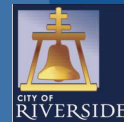


- ▶ The current “open market” system lacks overall accountability and enforcement
- ▶ The Commercial contracts do not adequately address regulatory requirements
 - Mandatory Commercial recycling is not fully implemented
 - Mandatory Commercial organics is not implemented
 - Contamination tracking and reporting is not addressed

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Recommendations

If Investing in Municipal Operations

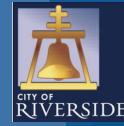


- ▶ Conduct Collection System Routing Study
- ▶ Reroute Residential Collection System
- ▶ Review street sweeping productivity and reroute street sweepers
- ▶ Eliminate “Manual Service Option” for all accounts that can be serviced with semi- or fully-automated vehicles (*also applies if outsourced*)
- ▶ Enforce container ordinance for any manual accounts that cannot be serviced with semi or fully-automated vehicles
- ▶ Eliminate “Incentive Off” Policy
- ▶ Continue to annual 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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Recommendations

Outsourcing Municipal Operations

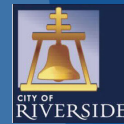


- ▶ Review / Refine “Breakeven” Analysis and those City costs that would not go away if Division’s operations were outsourced
 - Including the portion of the “Central Garage Charges (\$2M) that would remain if collection operations are outsourced
- ▶ Conduct additional review of street sweeping operations
 - Required Investment if any
 - Costs that would remain if outsourced
- ▶ 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
- ▶ If decision is to Outsource, consider conducting a complete Request for Proposal Process

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Recommendations

Commercial Services



- ▶ Negotiate short term amendments to address mandatory commercial organics programs
- ▶ Determine long-term commercial system needs
 - Open market, multiple haulers
 - Multiple haulers in defined service areas
 - Single hauler for all commercial services City-wide
 - Single hauler for all residential and commercial services City-wide
- ▶ If the decision is to change to the current open market system, consider conducting a competitive Request for Proposal process

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