Zero Waste Operations:
Refuse Fund & Sustainable Rates

December 3, 2013

Zero Waste Goal

City of Berkeley

Zero Waste by 2020 adopted by Council in 2005

Zero Waste Program

- ✓ Residential garbage collection
- ✓ Commercial garbage collection
- ✓ Bulky item pick-ups
- ✓ Roll-off containers
- ✓ Recyclables collection
- ✓ Organics collection – residential and restaurant food, yard and other green waste
- ✓ Transfer Station
- ✓ Clean City services

Refuse (Zero Waste) Fund

An Enterprise Fund

Fee supported

Fund Balance Since 2009

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Projected
Beginning Balance	$3.85	$0.31	$0.42	$0.72	$0.12	($0.21)
Revenues	29.39	32.34	33.40	33.23	33.86	33.72
Expenditures	32.93	32.22	33.11	33.82	34.20	34.56
Surplus/(Shortfall)	(3.54)	0.12	0.29	(0.59)	(0.33)	(0.84)
Interfund Loan						1.05
Ending Balance	$0.31	$0.42	$0.71	$0.13	($0.21)	$0.00

(all amounts in millions; amounts in parentheses are negative)

Current Refuse Fund 5-Yr Forecast

	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Beginning Fund Balance	$0.00	($2.98)	($5.65)	($8.62)	($11.00)
Total Revenues	33.70	34.26	34.84	35.43	36.04
Total Expenditures	36.67	36.93	37.82	37.81	38.65
Surplus/(Shortfall)	(2.98)	(2.67)	(2.97)	(2.38)	(2.61)
Ending Fund Balance	($2.98)	($5.65)	($8.62)	($11.00)	($13.61)

Note: FY 2015 Projected Beginning Fund Balance assumes a FY 2014 year-end interfund loan of $1.05 million and 2% CPI increase.
FY 2016–FY 2019 assume 2% CPI increase over previous fiscal year.

Operational Efficiencies

Since 2009, many operational changes were made in Zero Waste program delivery, including:

1. New or renegotiated disposal contracts with lower costs.
2. Implementation of RouteSmart software, producing more efficient collection routes.
3. New single-operator side-loading automated collection trucks.
4. Increase route efficiencies.

These improvements resulted in $2.5 million in annual cost reductions.

Zero Waste Program: Strategic Approach

1. Increase internal operational efficiencies.
2. Establish a sustainable rate structure.
3. Conduct a Franchise Study and implement changes prior to September 2016.
4. MRF: rebuild or seek other options.

Factors for Developing Rate Model

1. Berkeley encourages recycling, without a line item charge to customers for these services
2. Recycling costs exceed revenue from sale of recyclables:
   - The market for paper and containers fluctuates
   - Operations costs exceed market value of recyclables
   - New StopWaste requirements add recycling costs
3. Rates based on garbage can size

Assumptions of Sustainable Rates

1. CPI annual inflator of 3%.
2. Can size reduction <5% of customer base.
3. Recycling commodities stable at current value.
4. Vendor contracts do not exceed CPI increases.
5. Personnel expenses do not exceed CPI.
6. Planned capital expenditures in FY 2015 – FY 2017 and $500,000 capital set-aside as of FY 2018.

Tasks Performed

HF&H allocated costs into specific lines of business:

- Residential
  - Refuse Collection
  - Recyclables Collection
  - Organics Collection
- Commercial
  - Refuse Collection
  - Recyclables Collection
  - Organics Collection

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Tasks Performed

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- Roll-off Collection
- Transfer Station
- Other Services
  - Streets & Sanitation
  - Litter Collection

Extensive analysis of current and projected revenues

Reclasses Were Necessary

1. Reclassed revenues and expenditures to match the activity:
   - $4 million of “Residential” revenue reclassed to “Commercial” for small bin customers.
   - Transfer, transport, disposal and processing costs reclassed from the Transfer Station to Residential and Commercial operations.

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Reclasses Were Necessary

2. Residential organics collection and Commercial organics collection costs were separately identified.
3. City department costs were allocated based on various factors, such as:
   - Personnel
   - Customers
4. Miscellaneous other reclasses
   - Fire Fuel Management

Final Proposed Impact to Rates

Refuse Fund has a projected shortfall of $3.5 million

Customer Class	Projected Shortfall	Proposed Rate Increase
Residential	$3,140,000	24.7%
Commercial	$340,000	2.5%
Total	$3,480,000	

Proposed Rates

Residential

Service Levels Serviced 1-time per Week			Current Rate	Proposed Rate
Refuse	Recycling	Organics		
10 Gal	64 Gal	64 Gal	$9.28	$11.57
20 Gal	64 Gal	64 Gal	$18.52	$23.10
32 Gal	64 Gal	64 Gal	$29.62	$36.94
64 Gal	64 Gal	64 Gal	$59.21	$73.84
96 Gal	64 Gal	64 Gal	$88.78	$110.71

Proposed Rates

Commercial

Service Levels		Current Rate	Proposed Rate
Container	Frequency		
32 Gal Cart	1 X Week	$29.62	$30.36
64 Gal Cart	1 X Week	$59.21	$60.69
1 Cubic Yd*	1 X Week	$143.42	$147.01
2 Cubic Yd*	1 X Week	$270.12	$276.88
2 Cubic Yd*	2 X Week	$536.85	$550.28
4 Cubic Yd*	1 X Week	$534.62	$547.99

* Includes bin rental

Proposed Collection Rates

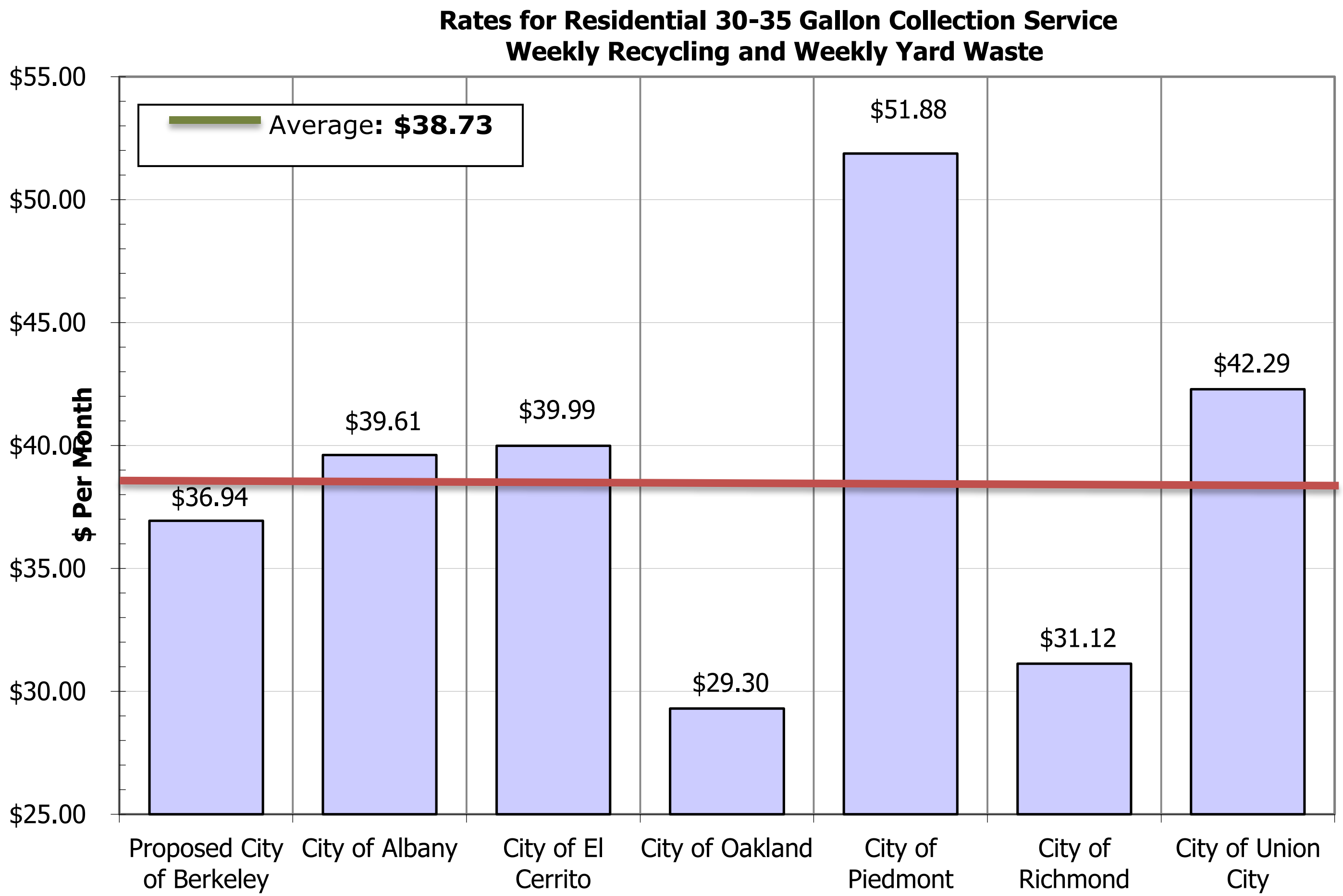
Residential rates need to increase by 24.7%

Rates for 32 gallon can:

Current Rate	$29.62/month
24.7% increase	$7.32
New Rate	**$36.94/month**

Commercial rates increase by 2.5%

Rate Comparison with Other Cities



Refuse Fund Forecast: New Rates

	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Beginning Fund Balance	$0.00	$0.00	$0.67	$1.40	$3.13
Total Revenues	36.67	37.60	38.56	39.54	40.55
Total Expenditures	36.67	36.93	37.82	37.81	38.65
Surplus/(Shortfall)	0.00	0.67	0.74	1.73	1.90
Ending Fund Balance	$0.00	$0.67	$1.40	$3.13	$5.03

Note: FY 2015 Projected Beginning Fund Balance assumes an FY 2014 year-end interfund loan of $1.05 million.
FY 2016–FY 2019 assume 3% CPI increase over previous fiscal year.

Proposition 218 Requirements

- ✓ Refuse charges are “property related fees”
- ✓ Rates must be proportional to costs of service
- ✓ Rates must be adjusted periodically to maintain proportionality as costs change
- ✓ Proposed rates are reasonably proportional

Rate Setting Process

- ✓ Who gets to protest?
  - Record owners of each parcel upon which fee will be imposed
- ✓ What is a majority protest?
  - “Majority of owners of identified parcels”
  - Majority protest prevents rate increase
- ✓ How?
  - City provides 45 days notice with rate & protest information
  - Public hearing to count protests

Schedule for Implementation

- ✓ January 21
  - Council review proposed rate structure and consider Prop 218 process date
- ✓ January 31
  - Mail Notices to 29,000 parcels
- ✓ April 1
  - Public Hearing on rate increases; Prop 218 returns are tabulated; rates adopted if no majority protest
- ✓ July 1, 2014 new rates go into effect

Questions?