



RAFTELIS



CHANDLER
arizona



Council Conference Room

Thursday, October 14, 2021 | 4:00 p.m.

FY 2021-22

Cost of Service Study Results for Solid Waste



Agenda

- Background Leading to Today
- Cost of Service (COS) Rate Study Process
- Solid Waste Financial Plan
- Raftelis Solid Waste COS Analysis
- Implementation Timeline

Background Leading to Today

City Financial Policy requirements

- Annually review the City Financial Rate Models
- COS reviewed every 4-5 years to ensure those using services are paying their share

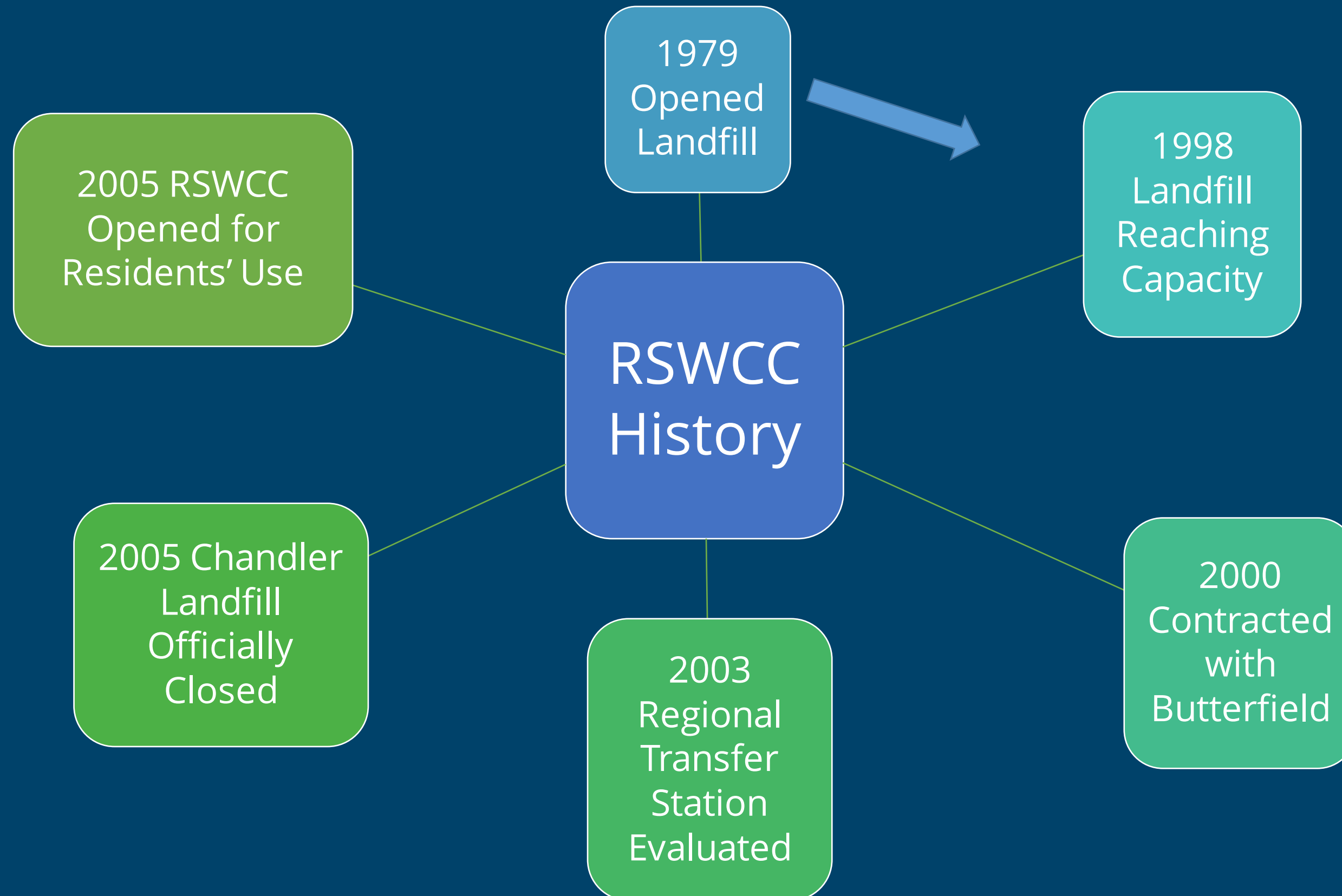
Changes that affect COS update

- Changes in overall customer usage/demographics
- Capital projects/system expansions
- Data improvements
- Rate structure changes



Background Leading to Today

Recycling Solid Waste Collection Center (RSWCC) History



Background Leading to Today

RSWCC History

Services Provided

(Residential Only)

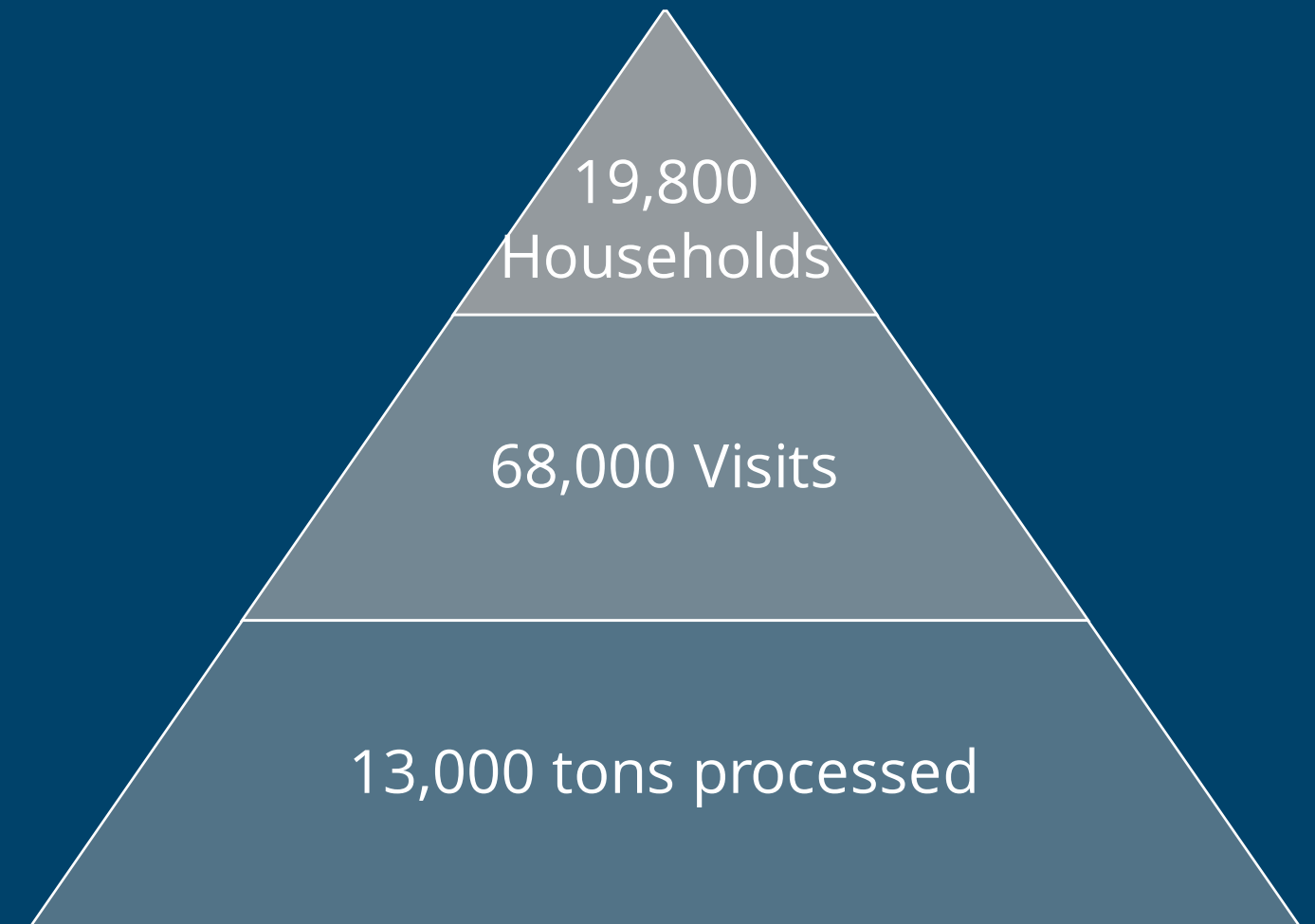
Freon Recovery

Household
Hazardous
Waste

Tire disposal

Trash and Landscape debris
drop off

Recycling Metal,
Electronics,
Appliances,
Cardboard



Alternative Sites

Republic - Chandler (Germann & Hamilton 2.5 miles away): \$68/1st ton; \$68 minimum - \$46.25 for additional tons, prorated (no tires, hazardous waste)

Weinberger - Gilbert (Cooper & Guadalupe 8 miles away): \$46.75/ton; \$30 minimum (no tires, hazardous or food waste)

Background Leading to Today

Recycling / Solid Waste History

- Recycling markets depressed since 2018 / reduced recycling revenues
- New contracted curbside collection agreement provides more certainty for future cost projections
- New RSWCC scale and operating data available to analyze operations
- Important to periodically review COS as changes occur



Cost of Service (COS) Rate study Process



COS Rate Study Process

Primary Study Scope

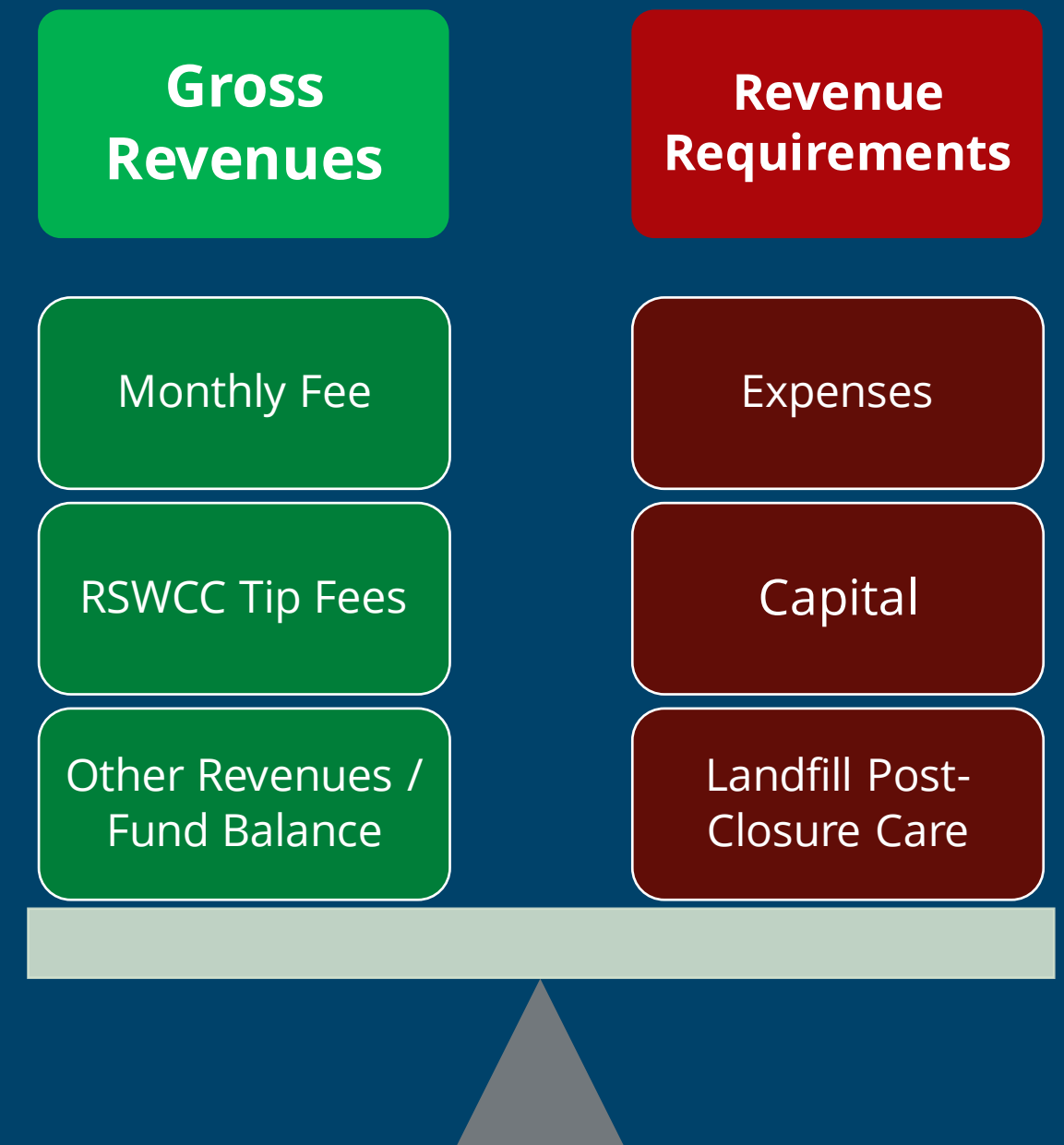
- Validate financial projections / “Revenue Sufficiency”
- Analyze COS and facility / service utilization
- Provide rate recommendations through FY 2025-26

Areas of Focus

- Mitigate planned rate increases
- Increase rate payer equity by reducing subsidy to:
 - RSWCC
 - Bulk Collection
 - Alleyway Collection

Methodology to Assess

Revenue Needs



COS Rate Study Process

City's Financial Plan Review



What is the funding requirement?

Cost of Service Analysis



Is everyone paying their fair share?

Rate Design Change Recommendations (If any)



How can our rates help ensure fairness?

Solid Waste Financial Plan



Solid Waste Financial Plan



COS Study Objectives

- Validation of City established financial model
- Fully fund revenue requirements
- Maintain fiscal policy goals

Baseline	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
%	6.0%	0.0%	5.0%	0.0%	5.0%
\$	\$1.08	\$0.00	\$0.95	\$0.00	\$1.00
Monthly Fee	\$19.03	No change	\$19.98	No change	\$20.98

Results

City's established financial model was found to be complete and accurate meeting forecasted expenditures with the projected revenue rate increases and planned fund balance drawdown

Solid Waste Financial Plan

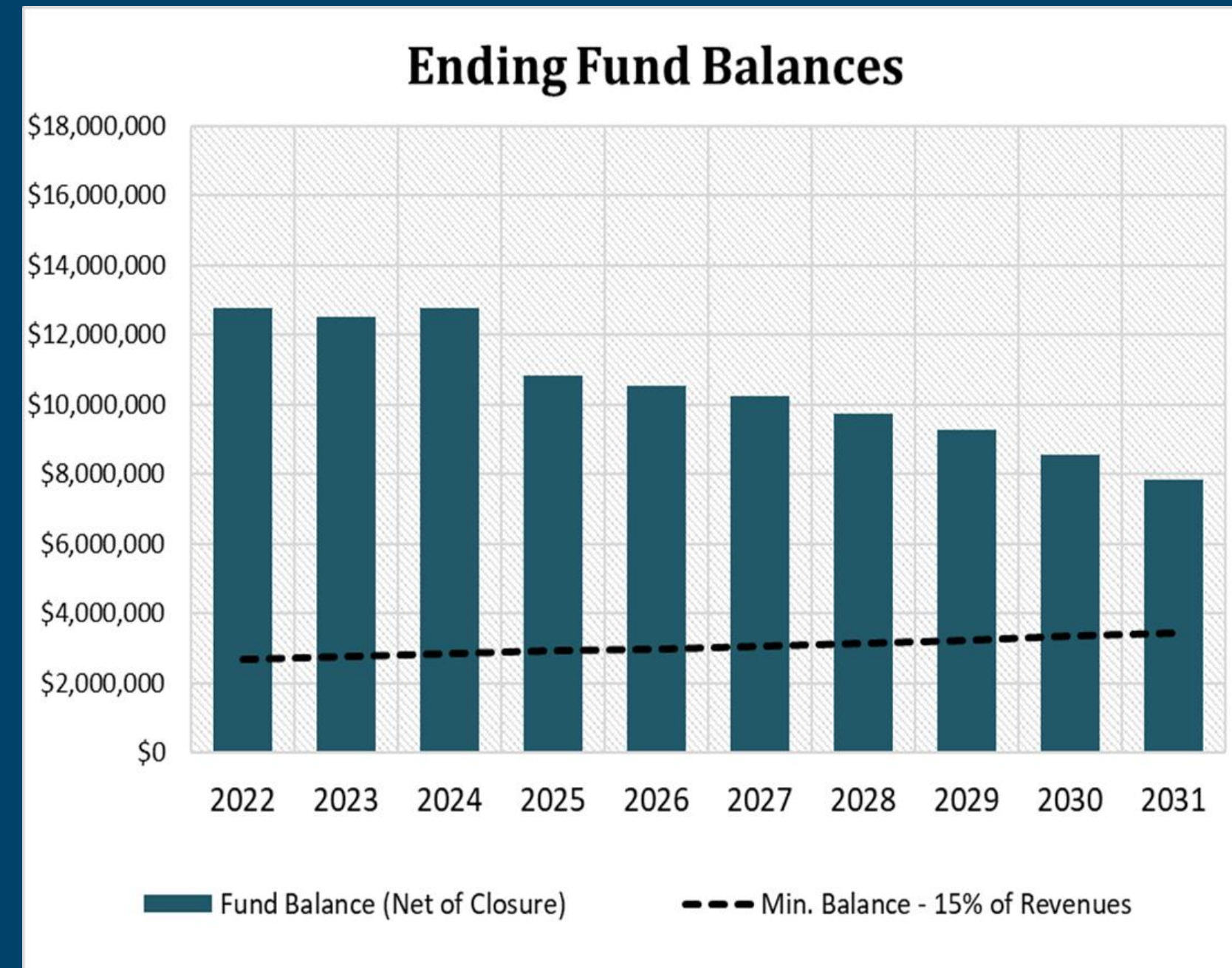


Cost Drivers

- Contractual increases
 - Collection, Landfill, Recycling, etc.
 - Automatic increases for inflation
- On-going post closure landfill costs
 - Major projects anticipated by FY 2024-25 for soil erosion mitigation and leachate

Study Recommendations

- Consider continuation of bi-annual rate increases
 - keeps pace with inflation
 - Slows fund balance drawdown
 - Achieves study objectives and meets City's fiscal policy
 - Allows gradual drawdown of reserves towards policy minimum targets



* Landfill post closure reserve of \$4.34 M until 10-1-35

Solid Waste COS Analysis



Solid Waste COS Analysis

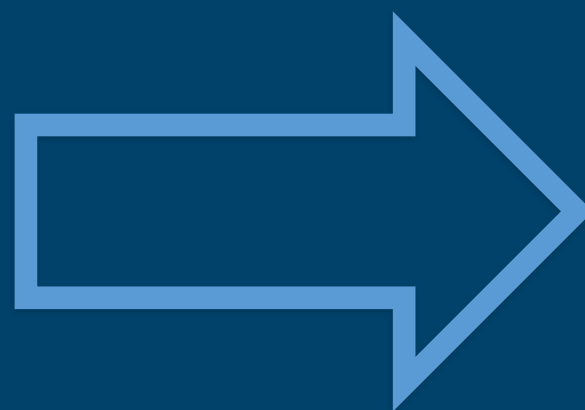
COS and Rate Design



How can our rates ensure fairness?



Number of
Residential
Households



Total Actual Users



Guiding Principle

*"Services used by all paid by all" &
"Services used by few paid by few"*

Solid Waste COS Analysis

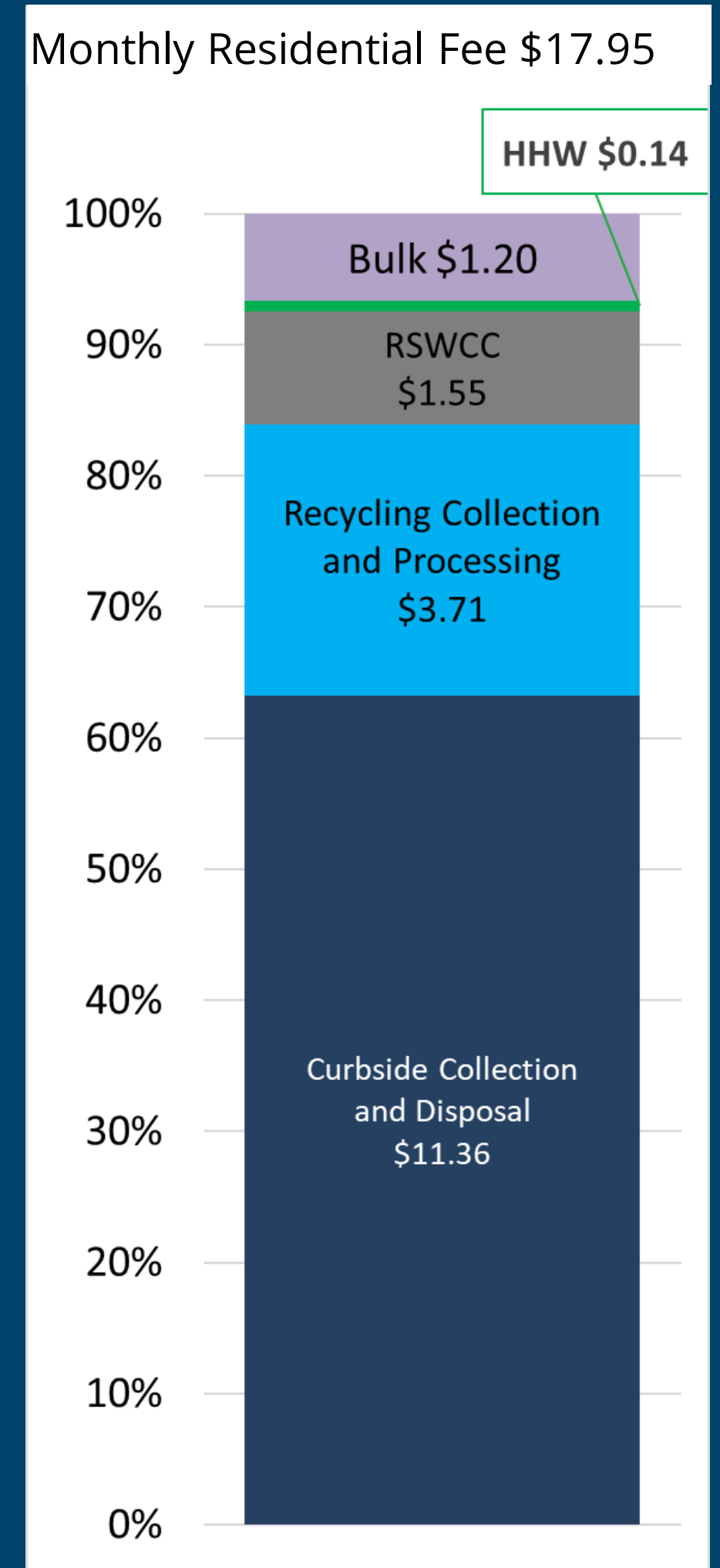
COS Actions

Performed detailed analysis of City facility and service utilization relative to the COS

- Key Finding: 20% of households request Bulk Service / visit RSWCC
- Not Feasible to recover full cost of RSWCC from direct user fees

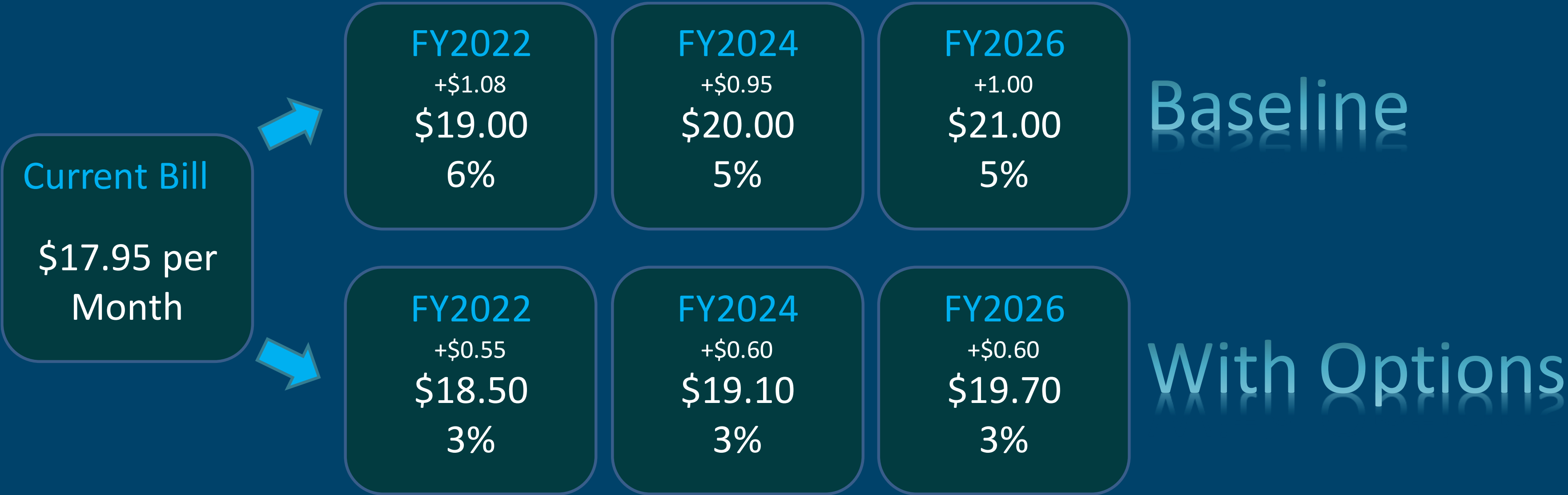
Project team analyzed multiple alternatives and found consensus around two (2) fee policy options for consideration

- Fee policy option #1: A) Charge for use of RSWCC
B) Limit “free” bulk collection
- Fee policy option #2: Eliminate alleyway service



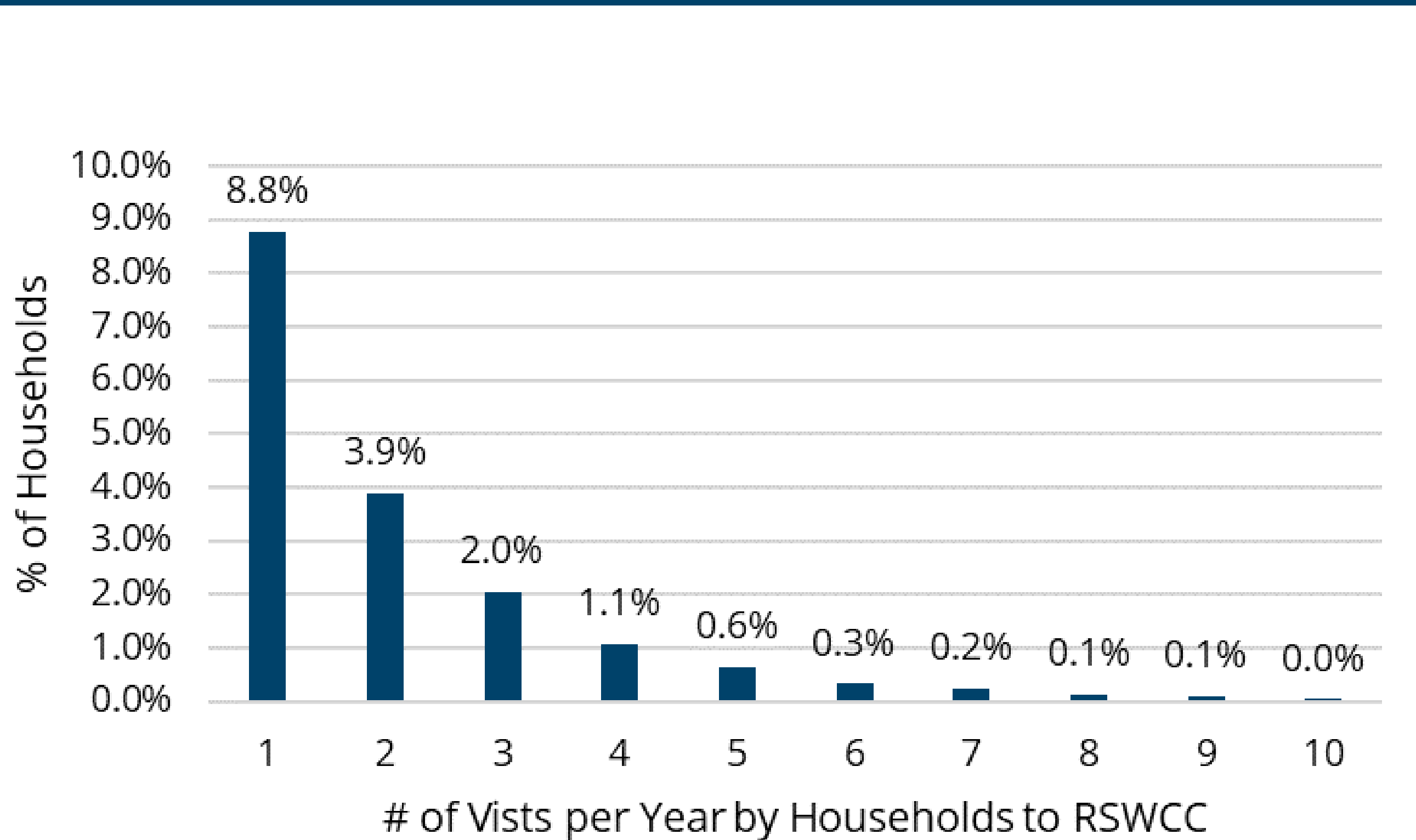
Solid Waste COS Analysis

Incorporating Options Lowers Needed Rate Increases



Solid Waste COS Analysis

Policy Option #1A: Charge for Use of RSWCC



Solid Waste COS Analysis

Policy Option #1A: Charge for Use of RSWCC

Equity Issues

- Only 10% of customers use RSWCC more than 1x a year
- Only 18% of materials assessed a fee
- 85% of cost to operate RSWCC funded from monthly user fee (\$1.55/mth)

Proposal

- Charge for trash and green waste deliveries and adjust bulk collection to avoid shift in disposal

<u>RSWCC 4/1/19-4/1/20</u>	<u>Qty/Loads</u>	<u>Net Wt</u>	<u>Tons</u>
Trash - All	22,753.50	8,846,140	4,423.07
Green Waste	15,163.50	5,801,340	2,900.67
Recycle	20,954	5,777,840	2,888.92
Trash-Construction \$	1,828.25	2,322,540	1,161.27
Trash-Concrete \$	321	796,980	398.49
Dirt \$	138.50	508,000	254
Green Waste-Bags	6,673	507,900	253.95
Trash-Gravel/Rock \$	143.50	416,980	208.49
Recycle-Freon \$	786	300,460	150.23
Trash-Woodwaste \$	198.75	277,620	138.81
Tires - All	1,209	252,120	126.06
Trash-Manure \$	33.50	64,620	32.31
Composter - All	44	23,480	11.74
Other - All	4	3,120	1.56
Totals	70,251		12,950

Solid Waste COS Analysis

Policy Option #1A: Charge for Use of RSWCC

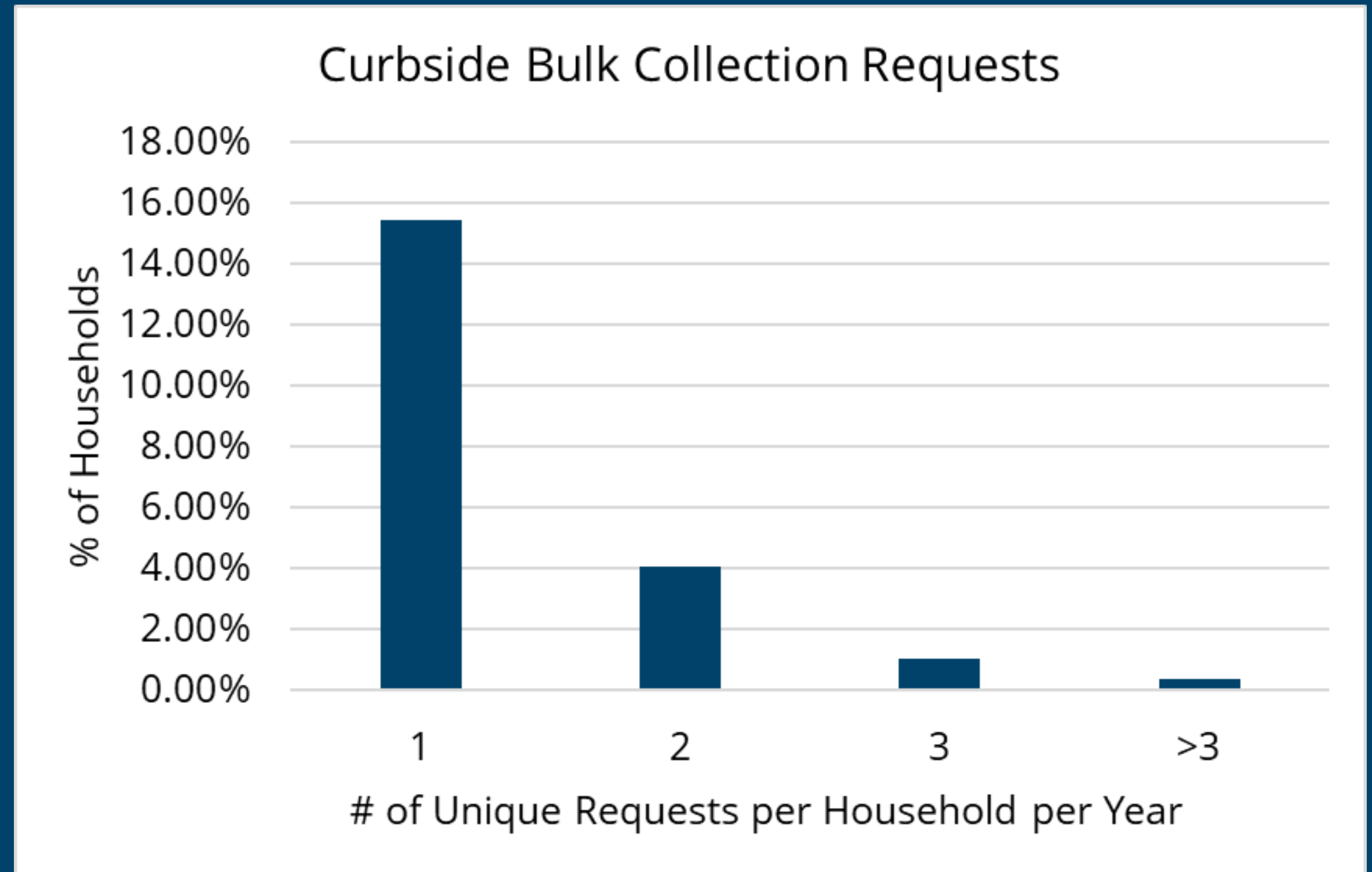
- Can eliminate 4% of identified rate increase needed over 5-year period
- Impacts 20% of Households

	<u>Existing</u>	<u>Proposed</u>	
Base Fee	\$0.00	\$10.00	
Tip Fee Rate	\$50.00	\$50.00	
Fee Notes	0 - 200 lbs free	0 - 400 lbs free	
Fee Application	C&D/Manure only	All Waste Streams Except Recycling	
<u>Average Bill</u>	<u>Existing</u>	<u>Proposed</u>	<u>Avg. Load (lbs.)</u>
Trash	\$0.00	\$10.00	283.58
Green Waste	\$0.00	\$10.00	301.98
Construction	\$15.70	\$20.70	827.96

Solid Waste COS Analysis

Policy Option #1B: Limit “Free” Bulk Collection

- 20% of households request bulk collections annually
- Approximately 5% of customers request service more than 1x per year



Solid Waste COS Analysis

Policy Option #1B: Limit “Free” Bulk Collection

Equity Issues

- Contractor charges City bulk collection \$30 per pickup
- 5% of customers request service >1x a year
- \$1.20 of the monthly user fee used to subsidize service

Proposal

- Limit “Free Service” pickups to accommodate 95% of households
 - City currently charges \$30 for add'l requests above once every 6 weeks
- Policy change can eliminate 2% of identified rate increases over 5-year period



Solid Waste COS Analysis

Policy Option #2: Alleyway Service

Equity Issues

- Contractor charges City more for alleyway service
- Residential customers pay same amount as alleyway customers
- Alleyway receives higher level of service (larger bins / more convenience)

Operational Issues

- Illegal dumping, significant strain on staff time, reduced recycling, public safety issues, higher repair / replacement costs
- Carts aging (purchased in 2006)

Proposal

- Eliminate alleyway service
- Net reduction of \$120k annual cost
- Eliminates 1% rate increase over 5-year period



Solid Waste COS Analysis

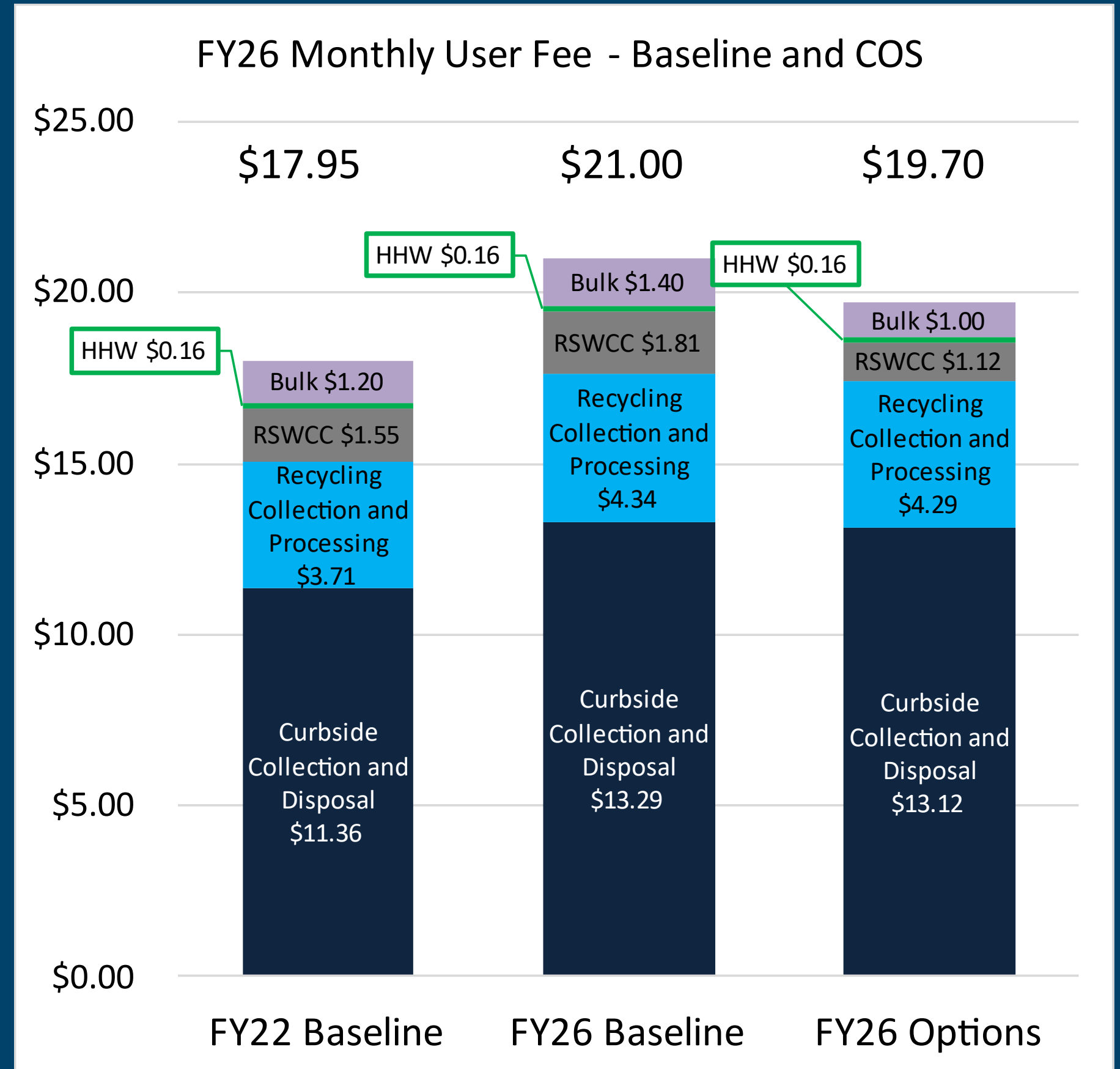
Option Recap

Fee policy option #1

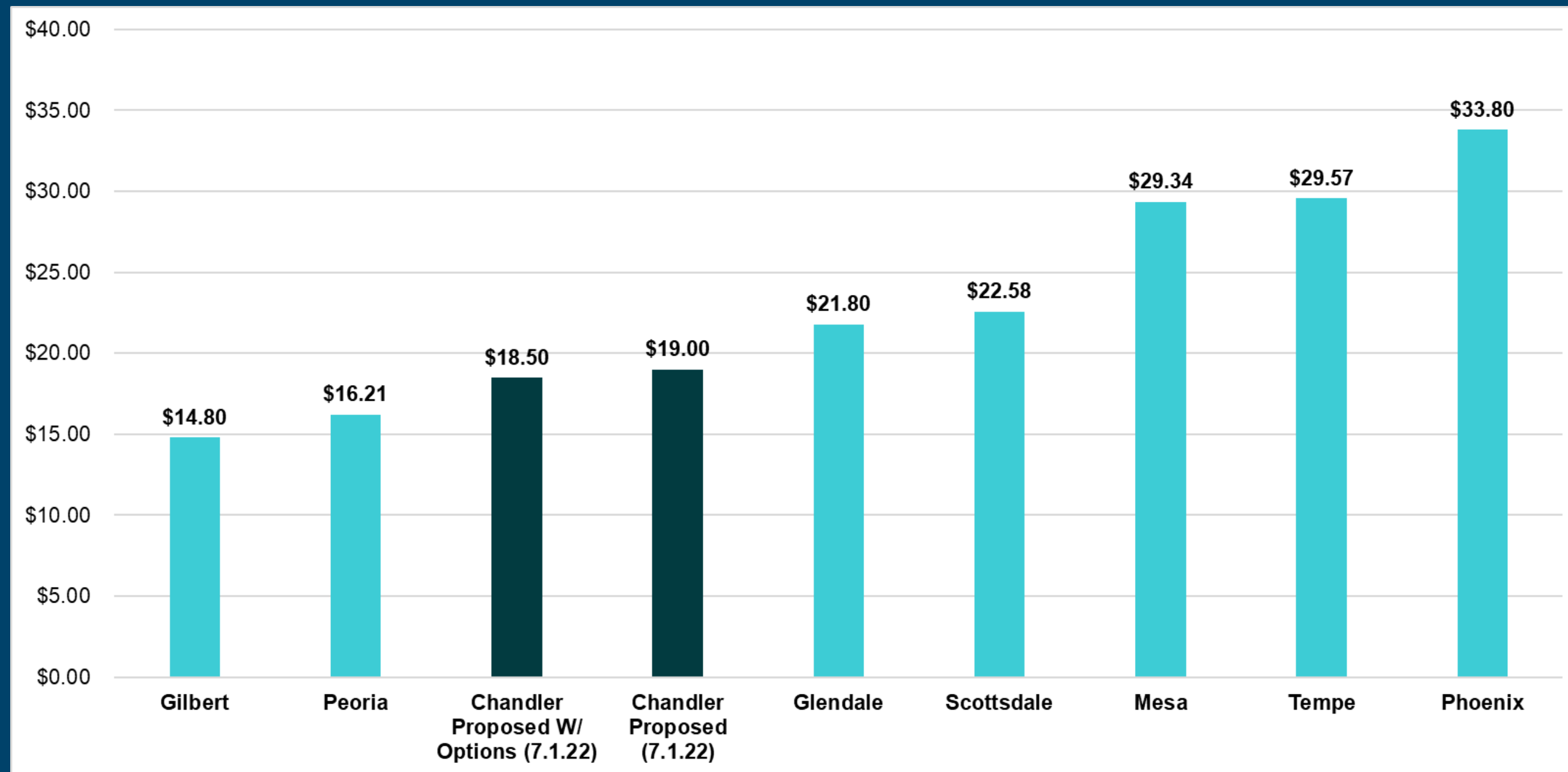
- Charge for use of RSWCC
- Limit “free” bulk collection to accommodate 95% of households

Fee policy option #2

- Eliminate alleyway service



Monthly Residential Solid Waste Fee Comparison Survey



*Based on FY 2021-22 rates for Chandler, with comparison cities shown at FY 2020-21 rates

Solid Waste Recommendations

Consider implementation of rate and policy options for FY22-FY26

- Baseline – Increase monthly charges only
 - Option 1 – Charge trash + green waste deliveries at RSWCC + Revise bulk collection policy (1 free per year)
 - Option 2 – Eliminate alleyway collection
- Implement FY 2021-22 rates on July 1, 2022; then next two on Jan 1st of the fiscal year
 - Review plan and rate needs the lesser of every 4-5 years; or as major changes occur



Implementation Timeline

Implementation Steps	Time Frame
Work Session with Mayor and Council	October 2021
Public outreach	Oct-Dec 2021
Feedback to City Manager/Council on results of outreach	February 2022
Adopt Notice of Intention to change rates	April 2022
Conduct Public Hearing for Water, Reclaimed Water, Wastewater and Solid Waste rate changes	May 2022
Introduce Ordinance to change Water, Reclaimed Water, Wastewater and Solid Waste rates	May 2022
Adopt Ordinance to change Water, Reclaimed Water, Wastewater and Solid Waste rates	May 2022
COS rates effective	July 1, 2022

Questions?

