

City of Asheville Staff Report – March 24, 2015
Solid Waste Operations

Subject: Proposed Solid Waste Fees, Fiscal Year 2015-16 Budget

The purpose of this staff report is to provide information to the Finance Committee regarding the intent of the solid waste fee plan and the step increase proposed for FY 2015-16.

Background:

In 2013, staff proposed to Council a progressive plan to fully enterprise solid waste collections for the City. In fiscal year 2012-13, the General Fund subsidy of solid waste collections was \$4.8 million. The progressive plan proposed included an annual increase to the solid waste fee of \$3.50 through fiscal year 2015-16 with a resulting monthly fee of \$14.00 for solid waste services. The implementation of a tiered pay-as-you-throw solid waste model was intended for fiscal year 2016-17, at which point the solid waste collections program was anticipated to have completed its transition to a fully enterprise model. The advantage to a shift to a tiered, enterprise model is two-fold. 1) Moving away from the general fund subsidizing a user-driven service, and 2) developing a model in which there is financial pressure to recycle drives a behavioral change in users, which results in an enterprise fund that is self-sustaining over the long term. The progressive plan was initiated successfully during fiscal year 2013-14 (Year 1 below) with solid waste customers no longer paying a fee for recycling services and instead paying a fee of \$7.00 per month for solid waste services. In fiscal year 2014-15, the planned fee increase was deferred to fiscal year 2015-16 during the fees and charges review. Below is a summary table of the 2013 plan.

Year	Service	Fee	Revenue	General Fund Subsidy
YEAR 0 2013	Solid Waste Recycling White Goods	\$0.00 \$3.50 \$5.00	\$1,200,000	\$4,800,000
YEAR 1 2014	Solid Waste Recycling White Goods	\$7.00 \$0.00 \$5.00	\$2,400,000	\$3,600,000
YEAR 2 2015	Solid Waste Recycling White Goods	\$10.50 \$0.00 \$10.00	\$3,600,000	\$2,400,000
YEAR 3 2016	Solid Waste Recycling White Goods	\$14.00 \$0.00 \$10.00	\$4,800,000	\$1,200,000
YEAR 4 2017	PAYT Solid Waste Variable size carts or bags Recycling White Goods	variable \$0.00 \$10.00	\$6,000,000	\$0.00

At this time, the solid waste fee is \$7.00 per month. Currently, households with solid waste services are provided with a 90-gallon trash cart and a 90-gallon recycling cart. For fiscal year 2014-15, the subsidy for solid waste collection by the General Fund is estimated to be \$2.6 million. Each fiscal year, costs to provide solid waste services increase due to landfill, fuel and transportation, and capital maintenance

cost increases. The model developed in 2013 has already fallen behind; the anticipated \$1.2 million savings with the implementation of the \$10.50 fee will result in \$1.1 million savings to the general fund if adopted for fiscal year 2015-16. These increases in cost necessitate the City's solid waste services fee increases not only to limit the growth of the current projected general fund subsidy, but also to move toward eliminating that subsidy completely to become a fully enterprise model. Below are the cost recovery projections for fiscal year 2015-16 with and without the fee increase.

Fee:	\$7.00/Mo.	\$10.50/Mo.
<u>Program Revenue:</u>		
Solid Waste Fees	2,400,000.00	3,500,000.00
Add. Sanitation Container	120,000.00	120,000.00
TIP fee surcharge	50,000.00	50,000.00
 Total Program Revenue	 2,570,000.00	 3,670,000.00
<u>Program Direct Expenses</u>		
Solid Waste/Yard Waste/Leaf	3,795,509.00	3,795,509.00
Recycling	1,258,100.00	1,258,100.00
 Total Program Direct Expenses	 5,053,609.00	 5,053,609.00
 Program Subsidy	 <u>(2,483,609.00)</u>	 <u>(1,383,609.00)</u>

Until the solid waste services have full-cost recovery, city taxpayers are subsidizing these services through existing property taxes. By increasing the solid waste services fee according to the progressive plan, the cost burden will be shifted from the taxpayer to the solid waste customer. This shift enables the City to allocate taxpayer funds previously used to subsidize these services to other general fund areas of need.

As the City considers moving in the direction of a pay-as-you-throw model, it is important that user fees for solid waste collection move toward full-cost recovery. The pay-as-you-throw model is designed to provide incentive for solid waste customers to decrease trash disposal and increase recycling participation. This is done through offering a financial incentive, in the form of a lower fee for customers setting out less trash and more recycling. If the solid waste fees remain at \$7.00 per month for a 90-gallon cart, implementation of this type of model is likely to be unsuccessful due to a lack of an available financial incentive. Ideally, implementing a pay-as-you-throw program should allow customers who recycle and minimize trash output to save money relative to a flat rate. If the flat fee going into a pay-as-you-throw program is too low, the program represents a significant increase in cost to all customers, whether they are high or low trash producers. However, if the progressive plan is followed and the fee is increased to \$10.50 per month, the program may be able to be structured to provide low trash producing customers an incentive through a lower rate per month.