

MEMORANDUM

To: Finance Committee Date: April 26, 2016
From: Barbara Whitehorn, CFO Prepared by: Frank McGowan,
Finance & Strategic Services Manager
Via: Gary Jackson, City Manager
Subject: Pay As You Throw Study (PAYT) Update

The purpose of this memorandum is to provide information to the Finance Committee regarding the City of Asheville's study of pay as you throw (PAYT) strategies and next steps.

Background: In 2014, the Asheville City Council created Resolution 14-27 establishing a waste reduction goal and benchmarks for the City. The City's long-term goal of 50% municipal solid waste reduction by 2035 aligns with the City's efforts to reduce greenhouse gas emissions. A long-term strategic waste reduction plan for residential waste services was developed to guide the achievement of this goal.

During last fiscal year, the City of Asheville's Office of Sustainability, along with the Sustainability Advisory Committee on Energy and the Environment (SACEE) explored opportunities to reduce the City's solid waste stream through the potential adoption of a PAYT model for household sanitation services.

After this initial discussion, City staff recommended seeking outside assistance from a consulting firm that specializes in modeling the waste stream, financial impacts, and implementation strategies when considering a PAYT model for household solid waste. Following PED Committee support of this recommendation, the City engaged Skumatz Economic Research Associates (SERA).

SERA interviewed staff, analyzed the solid waste data, reviewed budget data, conducted a citizen survey, and compared Asheville's information to industry standards.

Additionally, a team of City staff, which included representation from Finance, Sustainability, and Communications and Public Engagement, developed a plan to keep citizens informed about the City's study of PAYT.

Key elements included:

- Development of a project page on the City's website with links to background information and resolutions
- Media releases and outreach via social media and through neighborhood associations
- Survey promotion online through the City's website and social media, as well as distribution of hard copies at recreation centers
- Updates to SACEE
- Public information sessions on Oct. 1 & 2

SERA's PAYT Options Analysis

SERA completed their PAYT options analysis study in November 2015 and presented their report to the Planning & Economic Development Committee in December 2015. SERA recommended a cart-based system for PAYT based on estimates and financial modeling in order to a) reduce solid waste tonnage, and b) to achieve full-cost recovery.

SERA report highlighted results of the survey, which had a high participation rate, as showing a customer preference for a cart-based PAYT program. However, members of the PED questioned the reliability of the survey data because respondents showed an over-representation of homeowners. Lisa Skumatz, from SERA acknowledged the bias in the survey.

Critique of SERA's PAYT Options Analysis Report

In January 2016, the City of Asheville received a critique of the SERA PAYT Options Analysis from WasteZero, a B-Corp specializing in bag-based PAYT systems design and solid waste metering. Waste Zero was specifically mentioned in the SERA report because the company had presented its company's services to SACEE as an option to achieve the City's solid waste reduction goal.

WasteZero questioned the usefulness of the report and cited errors, poorly represented data, and faulty assumptions. Staff contacted WasteZero to inform them that the concerns would be reviewed by staff. Staff requested additional information from WasteZero and the company supplied data to further the City's analysis.

In addition, staff shared WasteZero's critique with SERA and requested a written response to the issues raised by WasteZero.

PAYT Options: Sensitivity Analysis

In February, SERA provided a report to staff responding to WasteZero's concerns. Their sensitivity analysis supports the original recommendations across a range of values and assumptions.

Solid Waste Fees and PAYT

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 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 (PAYT) solid waste collections model was planned 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 progressive plan was initiated during fiscal year 2013-14 (Year 1 below) with a change from a \$3.50 recycling fee to a \$7.00 solid waste fee. In fiscal year 2014-15, Council deferred the planned fee increase to \$10.50 to fiscal year 2015-16. The monthly fee for solid waste services is scheduled to increase to \$14.00 in fiscal year 2016-17. This fee increase will reduce the taxpayer subsidy of solid waste to approximately 25% and sets the stage for implementation of a PAYT model for solid waste services in fiscal year 2017-2018.

Considerations Related to PAYT

As staff continue the assessment of PAYT models in order to reach the City's long-term waste reduction goals, several other factors are also being considered. Among these are the elimination of taxpayer subsidy for solid waste services, the potential financial impact to

customers, operational challenges that come with implementation of such a model, the possibility of increased contamination of recycling, and the development of infrastructure for a viable residential composting program.

Next Steps: Staff will continue the assessment of PAYT models and return with a recommendation for implementation in the new fiscal year.

Attachment:

- (1) Resolution 14-27
- (2) SERA's PAYT Options Analysis
- (3) WasteZero Critique of SERA's PAYT report
- (4) SERA Sensitivity Analysis