

STAFF REPORT

TO: Finance Committee DATE: February 23, 2016
FROM: Barbara Whitehorn, CFO
PREPARED BY: Frank McGowan, Finance & Strategic Services Manager
VIA: Gary Jackson, City Manager
SUBJECT: Residential Solid Waste Reduction Strategies Update

Summary Statement: Provide the Finance Committee with an update on the City of Asheville's residential solid waste reduction strategies, and to seek direction on solid waste fees.

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.

Review:

Solid Waste Fee Increases and General Fund Subsidy

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.

Below is a summary table of the original 2013 plan.

Year	Service	Fee	Revenue	Taxpayer Subsidy
YEAR 0 2012-2013	Solid Waste Recycling White Goods	\$0.00 \$3.50 \$5.00	\$1,200,000	\$4,800,000
YEAR 1 2013-2014	Solid Waste Recycling White Goods	\$7.00 \$0.00 \$5.00	\$2,400,000	\$3,600,000
YEAR 2 2014-2015	Solid Waste Recycling White Goods	\$10.50 \$0.00 \$10.00	\$3,600,000	\$2,400,000
YEAR 3 2015-2016	Solid Waste Recycling White Goods	\$14.00 \$0.00 \$10.00	\$4,800,000	\$1,200,000
YEAR 4 2016-2017	PAYT Model Recycling White Goods	Variable \$0.00 \$10.00	\$6,000,000	\$0.00

Currently, the solid waste fee is \$10.50/month for all customers that receive the service. Households with services are provided with a 96-gallon trash cart and a 96-gallon recycling cart. For this fiscal year, the subsidy for solid waste collection by the General Fund is estimated to be \$2.4 million. Each fiscal year, costs to provide solid waste services increase due to landfill, fuel and transportation, and capital maintenance cost increases.

The implementation of the proposed \$14 per month fee will result in the offset of \$1.1 million of costs to the General Fund related to solid waste operations if adopted for fiscal year 2016-17. Increasing the fee limits the growth of the general fund subsidy and advances the Council's long-term waste reduction plan.

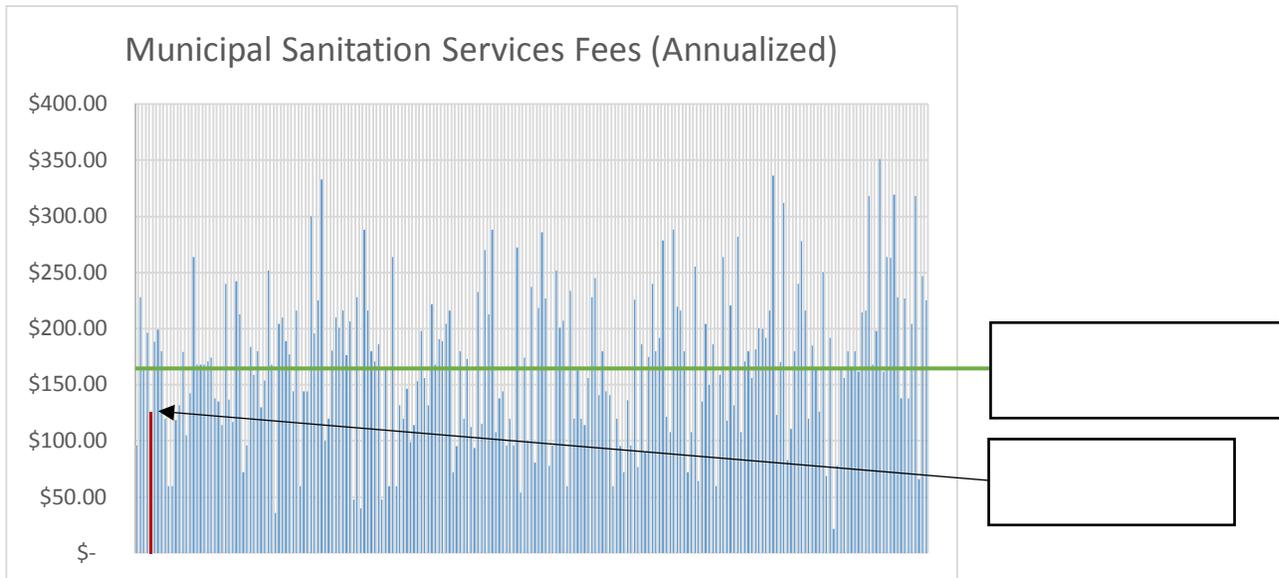
Revised plan outline:

Year	Service	Fee	Revenue	Taxpayer Subsidy
YEAR 0 2012-2013	Solid Waste Recycling White Goods	\$0.00 \$3.50 \$5.00	\$1,200,000	\$4,800,000
YEAR 1 2013-2014	Solid Waste Recycling White Goods	\$7.00 \$0.00 \$5.00	\$2,400,000	\$3,600,000
YEAR 2 2014-2015	Solid Waste Recycling White Goods	\$7.00 \$0.00 \$10.00	\$2,400,000	\$3,600,000
YEAR 3 2015-2016	Solid Waste Recycling White Goods	\$10.50 \$0.00 \$10.00	\$3,600,000	\$2,400,000
YEAR 4 2016-2017	Solid Waste Recycling White Goods	\$14.00 \$0.00 \$5.00	\$4,500,000	\$1,500,000
YEAR 5 2017-2018	PAYT Model Recycling White Goods	Variable \$0.00 TBD	\$6,000,000	\$0.00

Benchmarking

It is prudent financial management to allocate costs to the services provided. Nevertheless, in order to ensure that the City of Asheville is using best practices for our service delivery, staff researched other municipalities and counties in the state of North Carolina to provide a benchmark for solid waste fees.

Staff benchmarked Asheville's annualized fees for sanitation services against those from 224 municipalities in North Carolina. Asheville's current fee is below average relative to the municipalities surveyed.



In the coming fiscal year, staff will review all solid waste-related services and fees, including the white goods, other large item pickup and brush removal services, and benchmark them against other communities to ensure that the City's cost recovery is in line with standards.

Future Financial Incentive for Recycling and Waste Reduction

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 presented above, the cost burden will be shifted from the taxpayer to the solid waste customer. As the City considers moving in the direction of a pay-as-you-throw (PAYT) model, it is important that user fees for solid waste collection move toward full-cost recovery. The advantage of shifting to a tiered, enterprise model is two-fold:

- 1) Moving away from taxpayers subsidizing a user-driven service, and
- 2) By developing a model in which there is financial incentive to recycle, the service drives a behavioral change in users, which results in a model that is self-sustaining over the long term.

Currently, the City has little ability to directly influence customer behavior. However, the increase in the solid waste fee positions the City to be able to move toward the financial

incentivizing of recycling. If the solid waste fee remains at \$10.50 per month for a 96-gallon cart, future implementation of any PAYT model is likely to be unsuccessful due to the lack of financial incentive. Ideally, implementing a PAYT program should allow customers who recycle more and minimize trash output to save money relative to a flat rate. If the flat fee going into a PAYT program is too low, the program represents an increase in cost to all customers, whether they are high or low trash producers or recyclers. However, if the City continues with the progressive plan, increasing the fee to \$14 per month, a PAYT program should be able to be structured to provide a financial incentive to recycle more and send less to the landfill through a lower rate per month.

Recommendation

In order to meet the City's long-term goal of 50% municipal solid waste reduction by 2035 the following steps are recommended:

In FY 2016-17:

1. Raise the sanitation fee to \$14 per month
2. Expand recycling in public housing
3. Explore mandatory recycling for large multi-family housing*

*commercial impacts were not considered in the original resolution

Plans for Future Fiscal Years:

1. Implementation of a PAYT model for sanitation services (model to be determined)
2. Develop infrastructure for a viable residential composting program

Pros:

- Supports the City Council's long-term waste reduction goal
- Moves Sanitation Services closer to full-cost recovery
- Provides the groundwork for future implementation of a PAYT model for Sanitation Services

Cons:

- An increase in the annual costs to Asheville Sanitation Services customers of \$3.50/month.

Fiscal Impact:

A reduction in the property tax subsidization of sanitation costs through a \$1.1 million increase in ongoing fee for services revenue in the General Fund beginning in FY 2016-17.

Attachments (1):
Resolution No. 14-27