

MEMO

July 6, 2017

To: County Council

From: Angelica Gurule and Philo Shelton

COUNTY COUNCIL

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Re: Requested information from June 27, 2017 County Council Meeting

Environmental Services staff has noted the feedback received from County Council on June 27, 2017, regarding the rate ordinance and this memo is intended to provide additional information and detail to address the questions and concerns raised at this meeting.

Show that the proposed rate increases are fairly assessed between residential and commercial customers.

The proposed rates are separated between the residential and commercial programs and the intent is not to subsidize each other. Also, the collection equipment the County uses for the residential service is a side loading truck and for commercial service it is a front loading truck. The tonnage a trash and recycle items collected in theses respective trucks are weighed at the scale house and accounted for separately. The cost to serve each program is projected as follows:

Residential

For fiscal year 2017, the residential cost to serve each customer is currently \$25.37 per month and there is a detailed breakout of the costs of the various programs in the table below. The current rate is \$22 per month and it is proposed to increase by \$3 a month to \$25 per month. For each \$1 per month increase in the residential rate it will increase the residential revenues by \$82,200 per year. Conversely should Council consider a smaller rate increase, it will have the effect of not generating revenue as projected by the same relevant

amount. The residential rates are linear since the rate is based on number of customers served and not the number of pickup per week.

For fiscal year 2018, the quarterly pickup program is being modified to collect brush on a weekly/bi-weekly basis and will not perform free curbside bulk collection and move to a paid by appointment service of \$25 per pickup. It is difficult to estimate how well this new bulk collection program will be utilized. The pilot program offered this spring for a free bulk item pickup had 57 scheduled, however, only 27 of these customers who scheduled services actually placed items out for pickup. Based on the proposed special service charges and the actual pickup of 27 bulk items this would have realized only \$675 in new revenues for that quarter. Based on this level of participation, it is difficult to project any significant new revenues. Also, it is anticipated that residents will utilize one of their twelve free loads more frequently instead of paying the \$25 special service charge for a scheduled pickup. Given this recent experience, staff does not expect any significant new revenues from the proposed special service charges that would help to offset the proposed residential monthly rate of \$25 per month.

Residential Program Cost to Serve			
Service	FY15 Cost per home/month	FY16 Cost per home/month	FY17 Estimate Cost per home/month
Trash	\$ 13.58	\$ 13.96	\$ 16.22
Quarterly	\$ 3.58	\$ 3.69	\$ 3.08
HHW	\$ 2.66	\$ 2.74	\$ 0.97
Recycle	\$ 6.78	\$ 6.78	\$ 5.10
Total	\$ 26.60	\$ 27.17	\$ 25.37
*6850 residential customers			

For Trash line item, the increase from FY16 to FY17 is due to salary pay plan adjustments for equipment operators, cost escalation for hauling and disposal, and cost increases in electronic waste disposal. For HHW line item, this decrease from FY16 to FY17 is due to modifying the program to only offer this service two days a week which has contained these costs.

Commercial

In the table below under the commercial program, for FY18 the most significant unrealized revenue is due to the roll-off program at a projected loss of \$68K, and not from the commercial dumpster program which when combined with commercial rates indicate the need for a larger than a 3% rate increase as was discussed in the June 27th Council meeting. The revised rate structure proposed for the commercial roll-off program was redesigned in an attempt to capture more revenues and work to become revenue neutral. However, the FY18 revenue projections for the commercial roll-off program changes are only considering our current business volume in projecting next year's revenues since this program is not a scheduled service and it is difficult to project how the new rate structure will perform. Finally, the transfer station is projected to show a profit of \$38K since in FY17 there was an \$80,000 repair made to the transfer station push-wall which is not a reoccurring expense.

The cost to serve the commercial dumpster program in 2017 is \$702K, the revenue is \$671K. The total deficit is projected at \$32K per year. With a modest 3% rate increase, it is estimated \$17K of additional revenue per year will be realized that meets half of the commercial dumpster revenue deficit and the other half of the deficit was planned to be captured in additional cardboard revenue and associated savings in landfill tip fees. If the County can increase cardboard collection by 30% or receive an additional 100 tons of cardboard per year, it is estimates to generate the \$15K in revenue needed to close the budget gap for the commercial dumpster program. Therefore, the proposed commercial program 3% fee increase with enhanced cardboard recycling is a modest increase to allow this commercial program be brought in alignment with the cost to serve. The commercial dumpster customer is charged based on number of scheduled pickup per week. The current commercial customer base ranges from once a week to six times a week depending on their business needs.

Compare Operating Expense Summary for FY17 with FY18

	FY17 Operating Expense Summary				FY18 Projected			
Program Areas	Cost	Revenue	Gain/Loss	% Gain / Loss	Cost	Revenue	Gain/Loss	% Gain / Loss
Residential	\$ 2,080,100	\$ 1,883,972	\$ (196,128)	-10%	\$ 2,132,102	\$ 2,013,900	\$ (118,202)	-6%
Commercial	\$ 876,102	\$ 778,103	\$ (97,999)	-13%	\$ 881,000	\$ 812,555	\$ (68,445)	-8%
Transfer Station	\$ 752,995	\$ 712,189	\$ (40,806)	-6%	\$ 691,820	\$ 729,993	\$ 38,173	5%
Total	\$ 4,585,299	\$ 4,152,366	\$ (432,932)	-10%	\$ 4,602,926	\$ 4,354,003	\$ (248,923)	-6%

The FY18 projected revenues now assumes the rate increase going into effect on September 1, 2017 given the delay in the proposed time to implement the new rates. New rates need to go in effect at the first of the month so all customers are billed at the same rates.

What is the rate of recycling per customer type?

The residential recycling rate is 88%. The Commercial Dumpster program has 244 customers where 30% of these customers recycle with dumpsters and another 18% use roll carts to collect mixed recyclable items. By offering a free cardboard recycling dumpster like we do for recycling roll carts, we hope to increase commercial recycling rate to better align with the experience we have with residential customers. Some barriers we have experienced is that some businesses resist getting an additional dumpster because of space considerations since it may take away a parking space or they do not want to spend the labor costs to segregate their waste for recycling. However, during the last rate revision we allowed commercial customers to obtain a free recycle roll cart instead, and this has added 18% to the recycle participation rate as stated above.

What is the annual tonnage of waste between customer types?

In 2017, LAC collected 6,116 tons of trash from residential customers and 3,300 tons of trash from commercial customers. Based on staff's observation of commercial customers waste, it is reasonable to expect that 10% of the commercial waste by weight is cardboard that equates to 330 tons per year.

Cost of hauling waste

There is no difference in cost of hauling between residential or commercial wastes. The hauling costs are proportionally assessed between customer types based on actual tonnage of waste brought over the scale. The County currently pays approximately \$528 to haul each load to Rio Rancho landfill, which is estimated to close in the next 5 to 8 years and the next available landfill is in Los Lunas which would increase the haul fee to \$726 per load. Since Los Alamos, is restricted to haul waste off-site, it is in the best interest to reduce waste as much as possible especially by means of recycling and composting. These hauling costs are the primary reason for the need to minimize waste generation and in receiving Council's approval of ESB's recommendation to be proactive and transition to a new yard waste collection program over the next year.

Decrease tipping fee for animal mortalities

During the last rate hearing two years ago there was a public comment to review the animal mortality costs. Staff has reviewed and recommended the animal mortality fee be significantly reduced from \$150 to \$65 for large animals and \$35 for smaller animals, which is in alignment with the cost to provide service. The animal mortality fee is assessed by Waste Management and charged to LAC as the service is utilized.

Consider charging an additional fee for compost

The County has considered charging an additional fee for compost material, however, due to relatively small volumes of compost available and the rigorous permitting process to become a certified compost retailer as required by Department of Agriculture, it is mostly cost prohibitive to institute fees directly related to the sale of compost. As a business practice and to reduce further administrative costs, it is most cost effective to only charge a loading fee.

Conclusion

Environmental services will continue to track costs by customer type and costs associated with each program offered in order to fairly assess costs to each customer type. We will consider future ordinance changes regarding increasing loading fees for landscape materials, incidental cost for household hazardous waste and other incentives such as rebates for commercial customers to incentivize recycling and further promote waste diversion. Earlier this year, the Environmental Sustainability Board (ESB) has indicated that for the next rate adjustments staff should consider a Save as You Throw Program once the new yard waste collection program is fully operational. The ESB felt it is necessary to have a yard waste collection program in place prior to starting a Save as You Throw Program so residents can be successful in diverting their waste to recycling and composting roll carts.