

Analysis of Councilmember Chahal's Spreadsheet

Cost of Residential Mixed Waste Processing vs. Theoretical Split-Cart Alternative

| | JUNE 23, 2020 INFORMATION | | STAFF & R3 ANALYSIS | |
|--|---------------------------|-----------------------|-----------------------|-----------------------|
| | SPLIT CART (THEO.) | MIXED WASTE (EST.) | SPLIT CART (THEO.) | MIXED WASTE (EST.) |
| MTWS | \$3,561,874 | \$3,495,913 | \$3,655,216 | \$3,495,913 |
| PROGRAM COSTS* | \$2,474,308 | \$2,474,308 | \$2,432,121 | \$2,282,121 |
| GWR | \$ - | \$2,475,000 | \$ - | \$2,475,000 |
| NEWBY | \$384,375 | \$384,375 | \$640,625 | \$384,375 |
| TOTAL | \$6,420,557 | \$8,829,596 | \$6,727,962 | \$8,637,409 |
| ADDITIONAL COST FOR MIXED WASTE | | \$2,409,039 | | \$1,909,447 |

* PROGRAM COSTS figures previously included \$3,778,998 for yard waste and recycling, which have been removed from the analysis above. Because these amounts were included in all totals, the bottom-line findings are not affected. Note that program cost figures also include Rate Stabilization Funding to smooth rate increases in future years.

- MTWS** – Councilmember Chahal's analysis showed a cost for the theoretical split-cart program, however staff is not clear where the estimate came from. Staff's analysis is based on the tentative split-cart deal points that were discussed, but never executed with MTWS in 2019. Based on these figures, the theoretical split-cart alternative would have been a 4.5 percent increase over FY 2019/20 compensation PLUS \$90 per ton for the collected food scraps. The staff and R3 analysis above includes these updates to the June 23 figures with both assumptions. As a result, MTWS theoretical split-cart costs were updated from \$3,561,874 to \$3,655,216. **This results in Councilmember Chahal's analysis not accounting for \$93,342 of additional costs.**
- Program Costs** – Program costs were updated to exclude recycling and green waste. Both costs for theoretical split-cart and mixed waste processing were reduced by \$192,187 due to adjustments in disposal tonnage. Program Costs for the theoretical split-cart program were also increased to include \$150,000 in estimated program costs for outreach, education, customer service and enforcement. These would have been necessary had the split-cart program been chosen by Council. As a result of these adjustments the Program Costs are estimated to be \$2,432,121 for the theoretical split-cart program and \$2,282,121 for mixed waste processing. **This results in Councilmember Chahal's analysis not accounting for \$150,000 of additional costs.**

- **Newby Costs** – The June 23 figures assumed the same level of recovery (50 percent) for the split-cart program as for the mixed waste program, which was inaccurate. The level of recovery will be less for the theoretical split-cart program so the costs for Newby disposal were increased to \$640,625. **This results in Councilmember Chahal’s analysis not accounting for \$256,250 of additional costs.**

Responses to Councilmember Chahal’s Additional Questions

- **Program Costs** – In a request for information subsequent to the June 23 Council meeting, Councilmember Chahal requested details on “program costs” for residential and commercial businesses. Program costs include street sweeping, leaf-vac, holiday tree collection, administration and internal cost allocations, management, billing, franchise fees, state compliance costs, outreach and education, capital improvements and landfill post-closure maintenance costs, and periodic funding of rate stabilization reserves. In FY 2019/20, overall program costs were \$5,059,883 (\$896,891 for residential customers/\$4,162,992 for commercial customers). In FY 2020/21, program costs are budgeted at \$7,195,824, which includes \$1,990,000 in rate stabilization funding. The FY 2020/21 residential allocation is \$2,282,121 and commercial allocation is \$4,913,703. The program costs allocated to residential customers for FY 2020/21 are greater than prior years because costs for street sweeping, leaf-vac, holiday tree collection, administration and internal cost allocations, billing, outreach, and rate stabilization reserves provide proportionately more benefit to residential customers than commercial customers. The City will conduct a cost-of-service rate study in 2020 that will analyze each rate component with the cost-of-service, including program cost allocations prior to proposing new rates in 2021.
- **Budget Amendment** – The \$2,450,000 figure in the December 10 staff report represented the estimated budget amendment to the FY 2020/21 solid waste operating budget in the approved “FY 2019/20 and 2020/21 Biennial Operating Budget” if Council selected the mixed waste processing options for both the single-family/townhouse residential and multi-family/commercial business customers. This figure accounted for the full array of budgetary changes, including differences in collection, processing, and landfill disposal costs. It was not intended to represent the costs to be paid to GWR, but the cumulative budgetary impact of the policy decision. The projected costs to be paid to GWR are \$4,315,500 for six months of processing services in FY 2020/21 and \$8,900,000 in FY 2021/22 for a full-year. Staff has not changed these projections and has based all cost estimate modeling presented on these figures.