

Memorandum



CITY OF DALLAS

DATE May 27, 2010
TO Honorable Mayor and Members of the City Council
SUBJECT **Sanitation Services Proposed FY11 Budget**

On June 2, 2010, Sanitation Services will brief the subject topic. Attached are the briefing materials for your review.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to read 'Ryan S. Evans'.

Ryan S. Evans
First Assistant City Manager

Attachment

- C: Mary K. Suhm, City Manager
- Deborah A. Watkins, City Secretary
- Thomas P. Perkins, Jr., City Attorney
- Craig D. Kinton, City Auditor
- Judge C. Victor Lander, Administrative Judge
- Jill A. Jordan, P.E., Assistant City Manager
- A.C. Gonzalez, Assistant City Manager
- Forest E. Turner, Assistant City Manager
- Jeanne Chipperfield, Chief Financial Officer
- Mary Nix, Director, Sanitation Services
- Helena Stevens-Thompson, Assistant to the City Manager

Sanitation Services Proposed FY11 Budget

Briefing to City Council

June 2, 2010



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Purpose of briefing

- Overview of the services provided by Sanitation
- Review factors affecting the cost of service
- Establish the proposed residential fee for FY11
 - Offer several service scenarios for consideration
 - Provide cost and/or savings figures for each
- Project the revenues for FY11
- Receive Council recommendations on finalizing SAN budget

Mission Statement of SAN Services

To protect the public health and the quality of the environment through the efficient collection, recycling and disposal of municipal solid waste.

What does Sanitation do?

- **Serve Dallas' single-family residences by collecting residential waste and recyclables**
 - Cost of service is driven by:
 - Labor, equipment, fuel - 71% of expenses
 - Self-supporting through Sanitation Fee
 - Fee is a **full-cost recovery** model – not subsidized by General Fund

- **Operate regional landfill (McCommas Bluff)**
 - Primary purpose to meet residents' needs
 - Residential customer generates 35% of landfill waste
 - Residents pay “cost” for landfill use
 - Provides disposal for commercial waste haulers
 - Deliver 65% of waste stream – about 1.1.M tons
 - Pay **market rate of \$21/ton** – generating net revenue for General Fund

SAN's Services:

\$73,642,282

1) Residential Refuse Collection **\$30,915,347**

- Essential public health service
- ALL households now on **OneDAY Dallas** garbage service for full year
- 236,000 accounts that generate over 300,000 tons of waste
- Transport of waste from 3 transfer stations
- 420. FTEs

2) Brush / Bulk Service **\$11,319,430**

- Monthly collection of 200,000 tons each year
- Unscheduled services
 - storm and flooding cleanup
 - “Cost Plus” service; neighborhood projects and Code support
- 141.0 FTEs

3) Dead Animal Collection **\$314,801**

- Both on-demand and scheduled service
- Over 50,000 animals collected annually
- 6.0 FTEs

SAN's Services, cont'd:

4) Waste Diversion & Recycling **\$12,817,525**

- ALL households now on ***OneDAY Dallas*** service for full year
- Household Chemical Collection Center; quarterly round-ups
- Waste diversion at landfill: green waste (mulch), concrete, asphalt
- 132 FTEs

5) Landfill Operations **\$17,324,140**

- Serves Dallas residents & business; acts as a regional disposal facility
- Generates **\$20.3M** in commercial revenues + **\$1.9M** in gas royalty
- 150 FTEs

6) City Facilities Refuse Collection **\$951,040**

- Manages recycling and garbage collection for 230 city buildings
- Service provided via 3 contractors with city staff oversight
- Includes placing and servicing over 100 recycling drop-off stations around city to address multi-family recycling

Budget Summary of Services

Current Year Budget

Proposed FY11 Budget

Bid Name	FY10 Expenses		FY10 Revenues	FY11 Expenses		FY11 Revs
	FTEs	Dollars	Budget	FTEs	Dollars	Budget
Animal Collection	9.6	\$516,663	\$525,375	6.0	\$314,801	\$308,005
Brush / Bulk Waste	159.2	\$12,396,374	\$12,705,404	141.0	\$11,319,430	\$11,124,649
City Facilities collection	0.0	\$950,771	\$736,855	0.0	\$951,040	\$736,855
Landfill Services	141.3	\$17,687,842	\$33,006,057	149.7	\$17,324,140	\$30,607,190
Residential Refuse Collection	431.3	\$31,303,217	\$30,976,556	419.7	\$30,915,347	\$29,568,157
Waste Diversion	102.4	\$11,606,589	\$11,061,266	132.1	\$12,817,525	\$14,526,800
Totals	843.7	\$74,461,456	\$89,011,513	848.4	\$73,642,282	\$86,871,656

REVENUE projection

■ SAN Residential Fee - generates \$59.2M

- **Full-cost recovery** model – collects only what is needed to meet the cost of service :
 - Residential refuse and recycling collections
 - Brush / bulk service
 - Disposal of residential wastes at landfill
 - Collection of dead animals
- Recycling sales revenue (**\$2.1M**) - offsets the cost of service to residential customer

■ Landfill Fees - generates \$30.6M

- Residential portion is \$5.5M; commercial haulers \$20.3M
- Landfill gas royalty: \$1.9M; waste hauler franchise: \$2.9M

■ City Facilities' waste collection - \$0.7M

- Revenues equal cost of collection
- Cost is charged directly to departments served

REVENUE – factors for FY11

- **SAN fee** - maintain *full-cost recovery*
- **Landfill : hold “gate rate” at current fee**
 - \$21/ton reflects market levels - no change in price indices
 - Amount of tons received at landfill reflects the construction economy; need to see more construction starts before landfill revenues increase
 - Expand landfill fee schedule to include “hard to handle” wastes (tires, styrofoam, electronics, waste soils, mattresses)
 - Landfill gas royalties increasing to \$1.9M (from \$1.6 in FY10)
- **Recycling program growth**
 - Reach or exceed 2011 goal of 43,600 tons
 - Re-sale value of recyclables is up 26% from FY10 budget
 - Revenues estimated at \$2.1M (vs. \$1.2M in FY10)

FY11 Revenue Summary

	<u>FY09-10</u>	<u>FY10-11</u>
❑ <u>Collection Revenues:</u> <ul style="list-style-type: none"> ■ Based on 3¢ decrease in SAN fee ■ Includes revenues for city facilities, Cost Plus 	\$ 60.6 M	\$ 59.2 M
❑ <u>Recycling Revenues:</u> <ul style="list-style-type: none"> ■ Sale of recyclables; education fund 	\$ 1.2 M	\$ 2.1 M
❑ <u>Disposal Revenues:</u> <ul style="list-style-type: none"> ■ Commercial customers \$20.3 M ■ Franchise fees \$ 2.9 M ■ Landfill gas royalties \$ 1.9 M 	\$ 27.2 M	\$ 25.2 M
Totals:	\$ 89.0 M	\$ 86.5 M
<i>Current FY10 projection:</i>	<i>\$86.7 M</i>	

EXPENSES

– and how they affect SAN Fee

■ Expense reductions

- **(\$1.4M): OneDAY Dallas**
 - 7 months of **OneDAY** in FY10 saved \$2.0M (Mar-Sept)
 - Full-year savings in FY11 is an additional \$1.4M

- **(\$1.2M): Fuel**
 - SAN vehicles annually consume 2M gallons
 - Majority is diesel and CNG
 - In FY11, fuel rate lowered to \$2.66/gal; usage to drop by 12%

■ Cost Increases

- **\$1.1M: Contract for Day Labor**
 - New 3-year contract increases cost of day labor by 8%

- **\$0.9M: Account changes**
 - Number of SAN accounts decreased from 236,810 to 236,147 (more vacancies)
 - Non-collectable rate rising to 2% (fewer are paying their bills)

- **\$0.2M: Facility Upgrades**
 - Replace weigh scales, modify aging structures at transfer sites

EXPENSES

– and how they affect SAN Fee

Current Fee - FY09-10		\$ 20.34
- OneDAY Dallas: full-year savings	\$ (0.54)	
- Lower fuel costs	\$ (0.40)	
+ Day Labor - new contract	\$ 0.43	
+ Adjust for fewer accounts, collection rate	\$ 0.38	
+ Facility maintenance	\$ 0.07	
+ Other costs to maintain service level	\$ 0.04	
<i>Decrease</i> to SAN Fee:		\$ (0.03)
FY10-11 Proposed SAN Fee:		\$ 20.31

Residential SAN Fee

Sanitation Fee - FY2005 through FY2011
(without sales tax)



FY	2005	2006	2007	2008	2009	2010	2011
Fee	\$ 16.54	\$ 17.88	\$ 18.85	\$ 19.53	\$ 20.98	\$ 20.34	\$ 20.31
Change		\$ 1.34	\$ 0.97	\$ 0.68	\$ 1.45	\$ (0.64)	\$ (0.03)

Note: Steep increase in fuel prices affected FY09 fee change

What other factors can affect the cost of service ?

- ❑ **Cost of service is primarily driven by:**
 - Labor, equipment, fuel - 71% of expenses

- ❑ **Ideas considered in recent discussions**
 - Create an Emergency Storm Clean-Up fund
 - Charge a Franchise Fee to the Sanitation Dept for waste hauling
 - Initiate a “living wage” for the contract Day laborers
 - Adjust the wages of the Sanitation truck drivers, laborers
 - Extend the 5-day furlough to Sanitation collections staff
 - Gain cost savings by modifying the brush / bulk collection program

- ❑ **None of these are in current budget projections**

SUMMARY:
Other Factors to Consider
Proposed FY11 Rate Does Not Include These Factors

	Description	Change to FY11 budget	Effect on SAN fee
1	Emergency Storm Fund Build a "storm response fund" of \$2M over a two-year period	\$1,000,000	\$0.40
2	Franchise Fee on SAN vehicles Assess "solid waste hauler franchise of 4% to SAN vehicles	\$1,770,000	\$0.71
3	Adjust wages of Day Laborers Increase labor pay rate from contract's \$7.25/hr (federal minimum wage) to Dallas County living wage of \$8.88/hr	\$857,013	\$0.30
4	Adjust wages of SAN drivers 2% pay adjustment for SAN truck drivers and laborers - 278 positions	\$249,228	\$0.10
5	Extend furlough to all SAN staff Currently, 108 SAN staff take 5 furlough days, while 409 are exempt. Extension to all SAN staff will require flexibility on furlough dates - and will incur additional overtime costs to meet all waste collection needs	(\$361,229)	(\$0.14)
6	Modify Brush Collection program Maintain monthly collection of brush only for <u>bagged</u> materials; offer quarterly collection of large limbs and bulk on pre-scheduled basis. Service change saves \$1.5M annually - with Year 1 savings at \$725k.	(\$725,000)	(\$0.29)

Item 1:

Emergency Storm Fund

■ **Current Brush / Bulk service**

- Budgeted at \$12.4M for monthly collection
- Includes funds to address mild annual storm events

■ **Heavy Storm events**

- Occur periodically and unpredictably
- May generate wastes that amount to 3-6 times normal monthly collection volume
- Public expects waste removal within 6 weeks of storm
- Need for contractor assistance to meet public demand
- Cost for contract clean-up service: \$1.5 - \$2.0M

■ **Create fund to address Storm Debris swiftly**

- Assess fee in the SAN rate to build fund over 2-year period
- Modify fee annually if needed to replenish fund

Item 2:

Assess Franchise Fee on SAN

- ❑ Solid waste haulers remit a franchise fee of 4% of gross revenues to the city, per city ordinance
- ❑ Sanitation hauls solid waste – and is currently exempt from the ordinance
- ❑ If assessed, the franchise amount for SAN is **\$1.77M**
- ❑ Requires SAN fee increase of **71¢**

Item 3:

Adjust wages for Day Laborers

- **SAN supplements workforce with contract Day Labor**
 - Approximately 200 laborers per day
 - Majority work on recycling or refuse collection trucks
 - \$7.25 - Hourly rate that contractor pays laborers (federal minimum wage)
 - \$9.72 - Hourly rate that City pays contractor
 - New day labor contract in 2010 has better worker benefits:
 - Offers workers opportunity to increase pay with longevity
 - Offers paid holidays, paid vacation, bonuses, group health benefit option

- **Provide “living wage” minimum pay**
 - **\$8.88/hour** - Living wage, specific to Dallas County (for individual)
 - **\$857k** - Amount that SAN budget increases, if City requires contractor to pay minimum rate of Dallas County living wage
 - **30¢** - Amount that SAN residential fee increases for living wage reqmt

Item 4:

Modify pay of SAN field staff

■ Current pay rate for lowest-pay group

□ Truck Driver II

- 236 positions
- Avg pay rate: \$14.26 (range of \$12.35 - \$17.68)

□ Laborers

- 42 positions
- Avg pay rate: \$12.44 (range of \$10.62 - \$17.18)

■ Proposed pay adjustment of 2%

- Continues to promote pay equity with industry
- Average Truck Driver pay rate change**\$14.26 to \$14.52**
- Average Laborer pay rate change.....**\$12.44 to \$12.69**
- Budget increase of **\$249,228***
- Increases SAN fee by **10¢**

Pay adjustment proposed only for SAN workers; does not affect pay rate for similar positions in other departments.

* includes all driver and laborer positions

Item 5:

Extend Furlough in SAN

■ FY10 Budget

- \$117k savings already included for **108** positions
- **409** other SAN positions are exempted to serve:
 - Garbage and Recycling collection
 - Brush / Bulk waste collection
 - Waste transfer operations

■ FY11 budget

- Extend 5-day furlough to **all** SAN staff
- Exercise flexibility to meet operational needs
- Employees will be allowed to substitute furlough day for leave day
- **\$361,229** in additional savings; decreases SAN fee by **14¢**

Item 6:

Modify Brush/Bulk Service

■ Current service

- ❑ Monthly collection, pre-scheduled as Week 1, 2, 3, or 4
- ❑ Brush and bulk materials intermixed at curbside
- ❑ Cost of service: **\$11.4M**

■ Service change option

- ❑ Monthly collection of bagged leaves / grass / yard trimmings
- ❑ Large brush collected bi-annually on pre-scheduled week
- ❑ Bulk waste collected bi-annually on pre-scheduled week
- ❑ Residents may use Cost-Plus service for out-of-cycle requests
- ❑ Cost of service: **\$9.9M**

■ Benefits of change

- ❑ Meets most residents' needs without exceeding them
- ❑ Advances environmental goal by fostering landfill compost operation
- ❑ **Saves \$1.5M annually** ... with FY11 budget impact of \$725,000
 - Allows for partial FY implementation
 - Allows for public education costs