

Solid Waste Rate Study Recommendations

September 19, 2019



Tempe

Making waves in the desert

Purpose



- Review process, cost of service analysis, key drivers, and proposed rates
- Outline the public outreach and comment period
- Timeline for next steps

Background



- Last rate study was conducted in 2017
- Key Findings:
 - Created the basis for pay to throw pricing (SMART)
 - Found commercial service to be under cost recovery
 - Recommended continued efforts in to cost tracking and billing data reconciliation
- Ultimately the limiting factor on progress that could be made was data availability

Elements of the Study



Revenue Requirements

- Operating Costs
- Capital Costs
- Financial Policies
- Level of Service

Cost Allocation

- Evaluate Available Data
- Service Delivery Model
- Review Billing Units
- Compare Results to Current Revenue

Rate Design

- Evaluate Objectives
- Identify Structures
- Customer Impacts

OPPORTUNITY TO BALANCE COSTS FAIRLY

Tempe has made progress in data collection and cost tracking, allows for cost of service and sustainability objectives to be advanced.

Revenue Requirements



Key Data Inputs



- Audited FY 2018 fund balances
- FY 2019 actual revenues and expenses
- FY 2020 budget
- Adopted capital investment projects

Key Assumptions



- Recycling costs are now recognized
- Vehicle replacements accelerated to recognize useful life span
- Sustainable container replacement cycle to be achieved in five years
- Diversion infrastructure to stabilize costs

Revenue Sufficiency (Diagnostic)

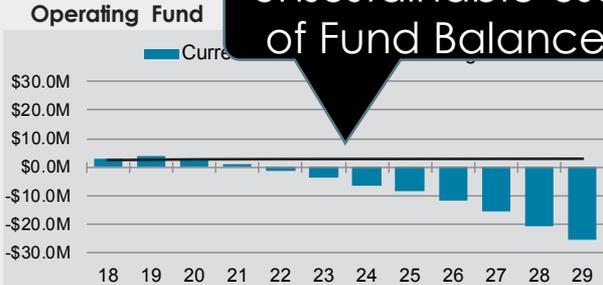


No Rate Adjustments

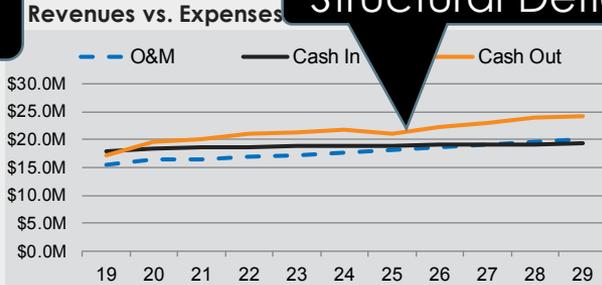
Impaired Credit

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	2028	FY 2029	FY 2024	FY 2029
Rate Revenue Plan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Senior-Lien DSC	0.00	0.00	0.00	0.00	7.04	3.05	1.39	-0.12	-1.51	-3.11	-4.73	Scenario Manager	

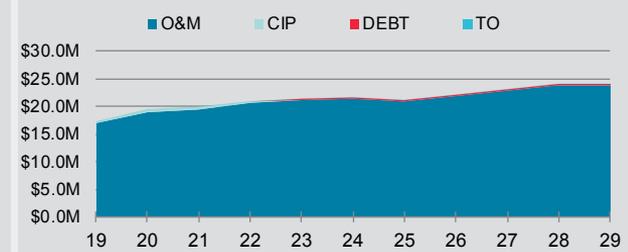
Unsustainable Use of Fund Balance



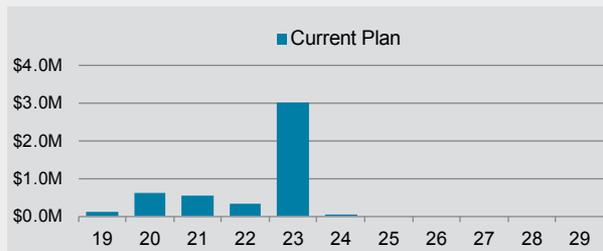
Structural Deficit



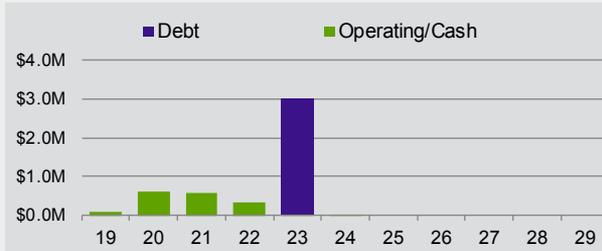
Expenses by Type



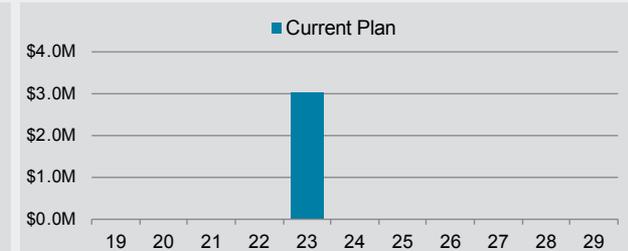
CIP Spending



CIP Funding



Borrowing



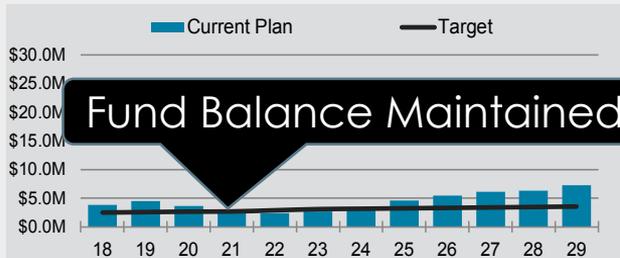
Revenue Sufficiency (Sustainable)



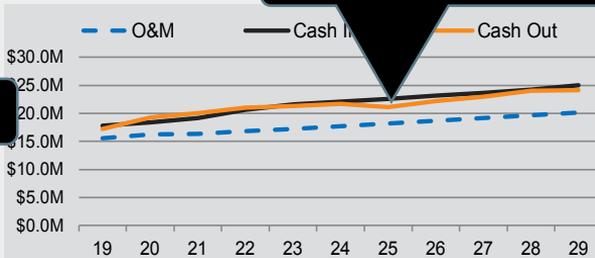
Calculated Rate Adjustments

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2024	FY 2029
Rate Revenue Plan	0.00%	0.00%	7.00%	7.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	19.14%	31.52%
Senior-Lien DSC	0.00	0.00	0.00	0.00	23.70	15.00	14.97	15.15	15.47	15.62	16.67	Scenario Manager	

Operating Fund

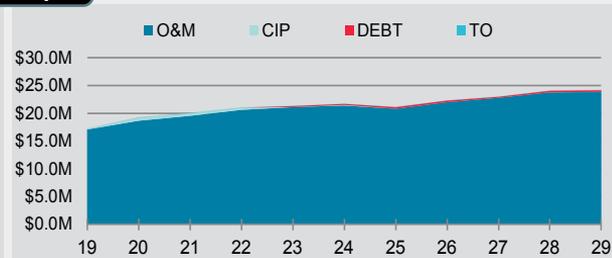


Revenues vs. Expense

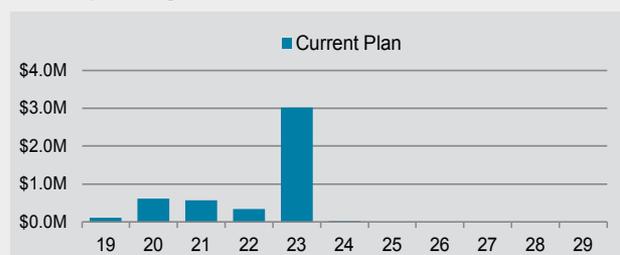


Fiscal Sustainability

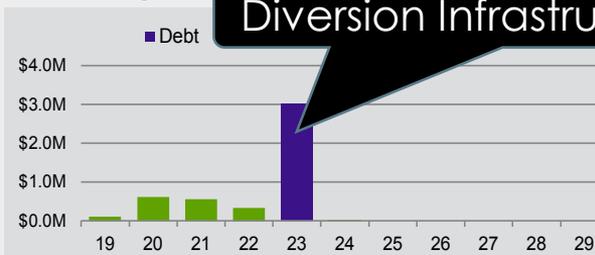
Expenses by Type



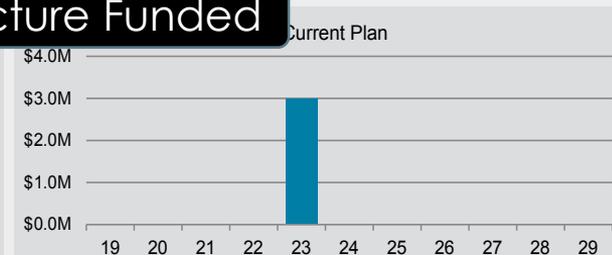
CIP Spending



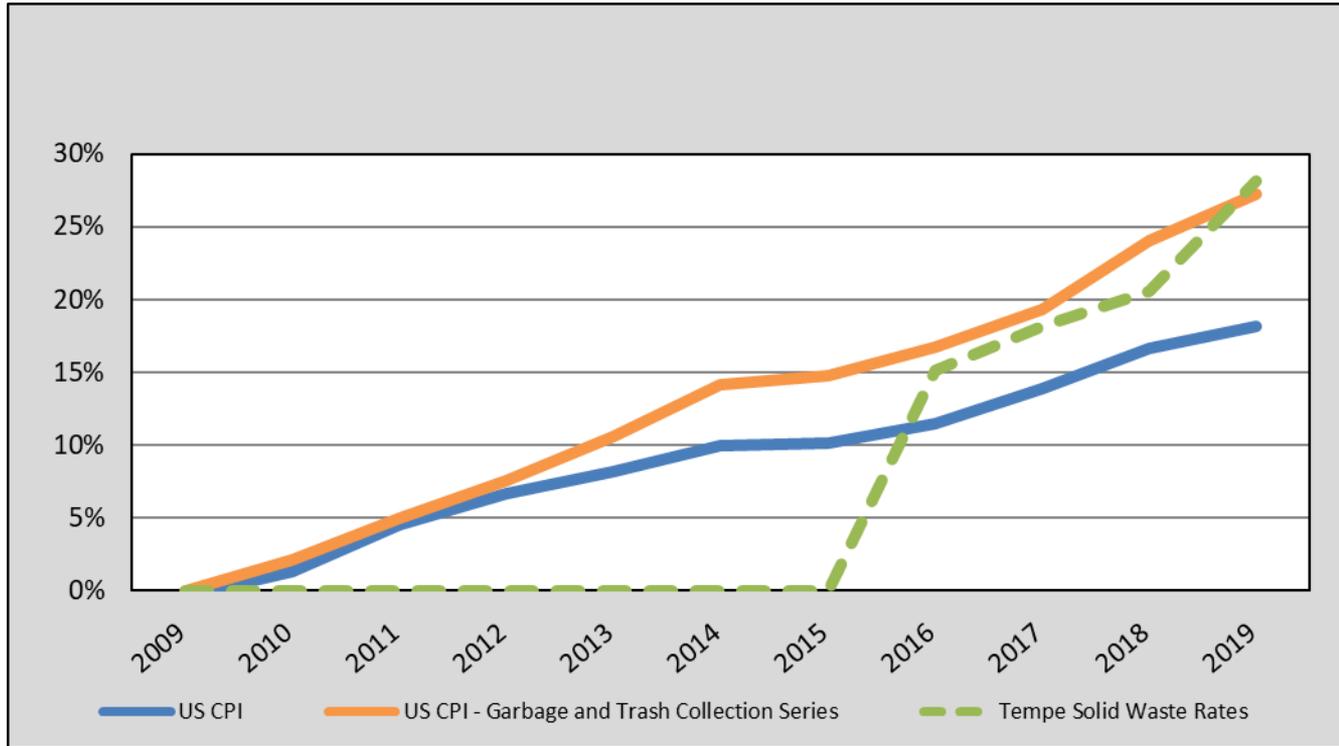
CIP Funding



Diversion Infrastructure Funded



Industry Trends



THE TAKEAWAY

Existing rate revenues will not support a sustainable level of operations, vehicle replacements, and capital improvements.

Additional funding is required.

Cost of Service



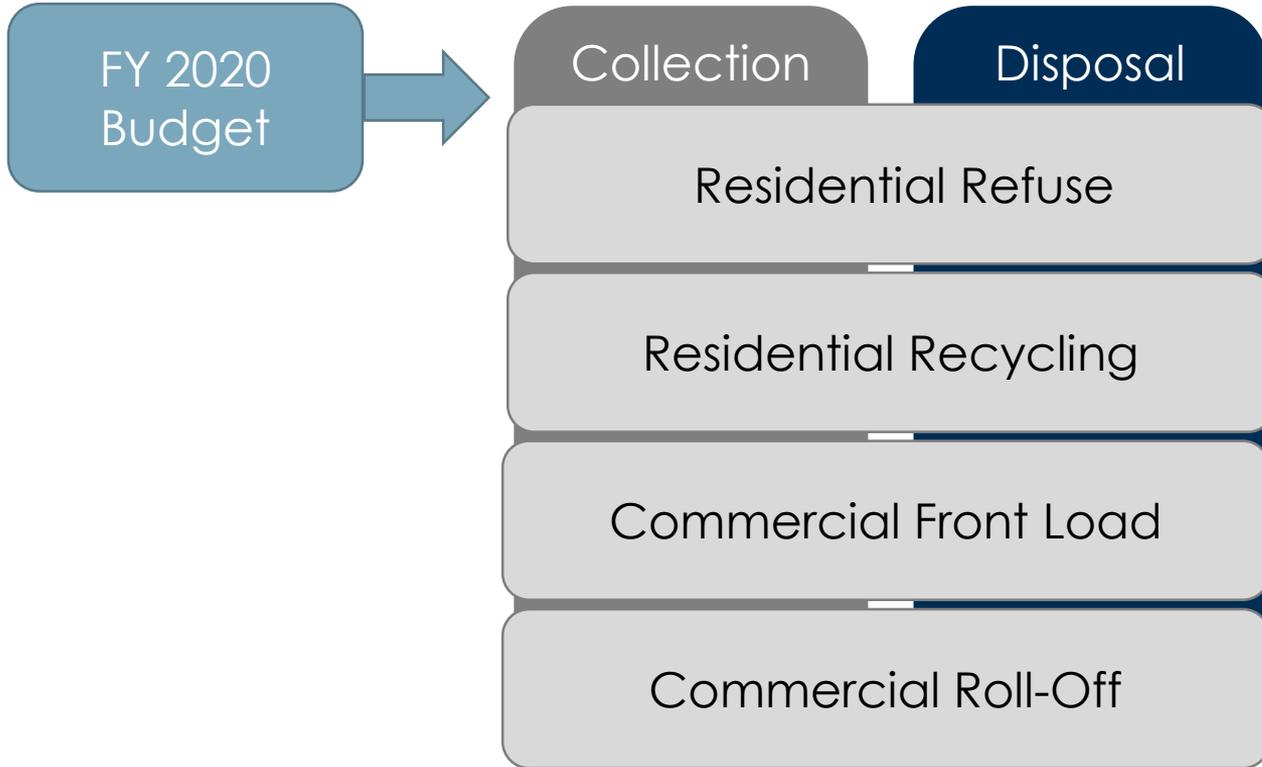
Tempe.

Key Data & Assumptions



- The City incurs different costs to serve different customers
- Primary Service Delivery:
 - Residential
 - Curbside cans (96gal, 65gal, 48gal)
 - Curbside recycling (96gal)
 - Alley cans (300gal)
 - Bulk pickup
 - Free monthly self haul
 - Commercial
 - Front load dumpsters (4yd,6yd, etc.)
 - Roll-off containers (25/40yd)
- Analysis provides a cost basis of rates and reveals cost drivers

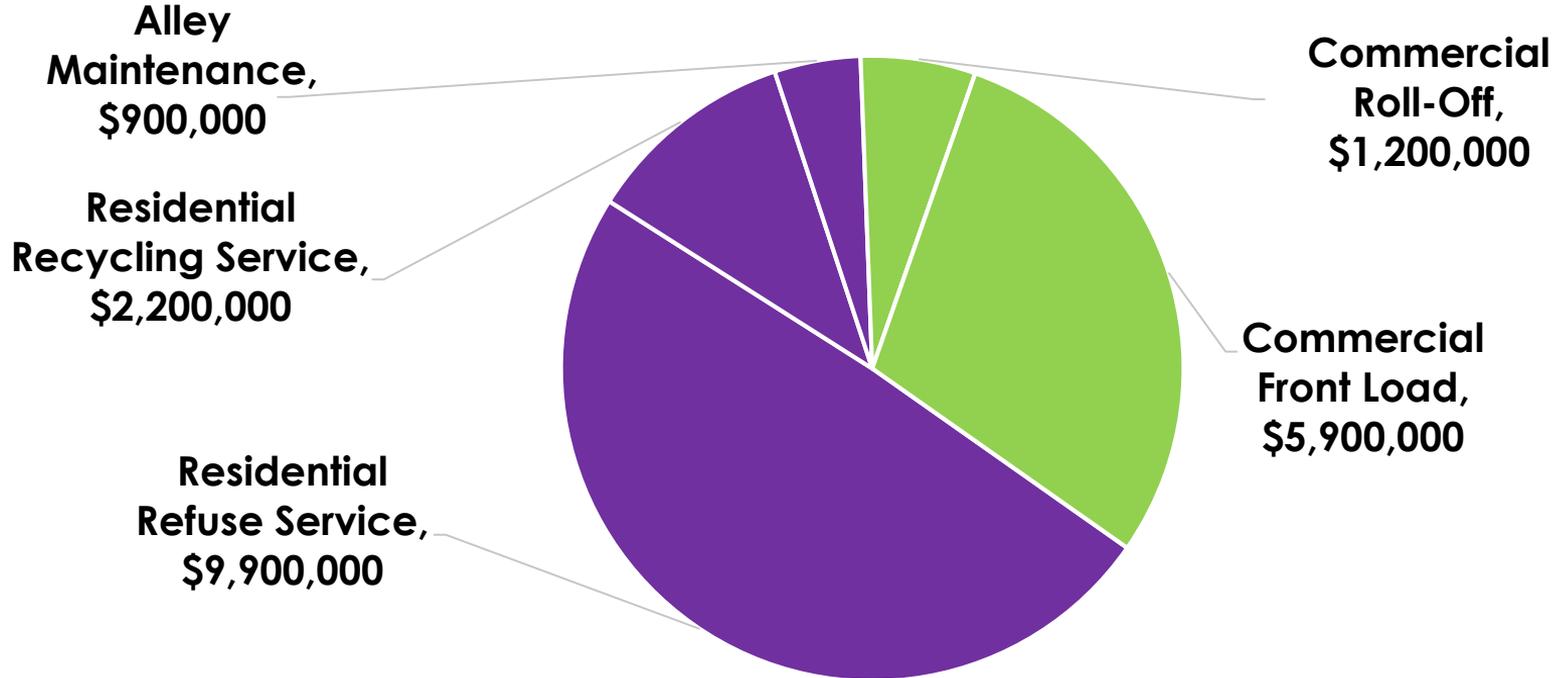
Cost of Service Process



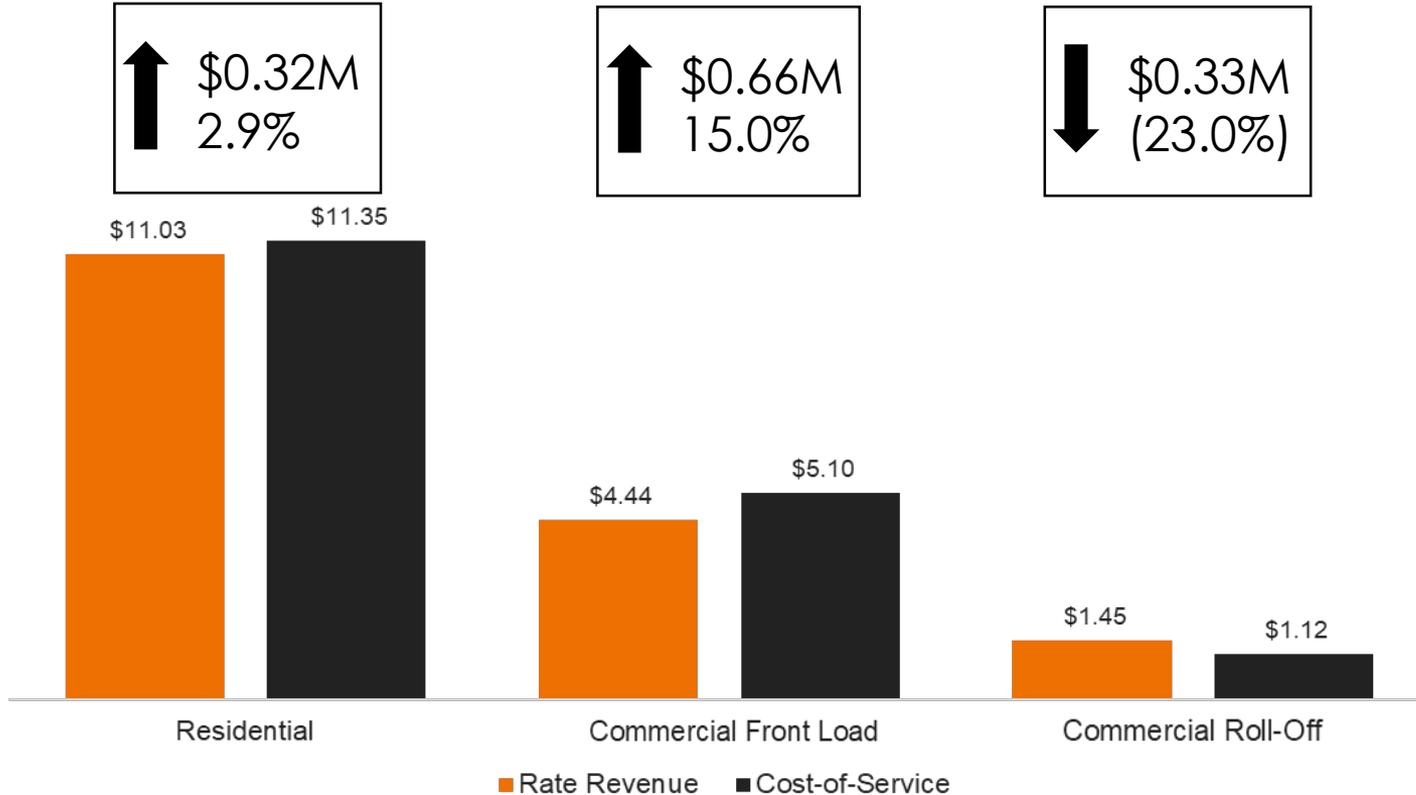
Cost of Service Results



Solid Waste Services \$20.1M



Cost of Service Results



Solid Waste Rates



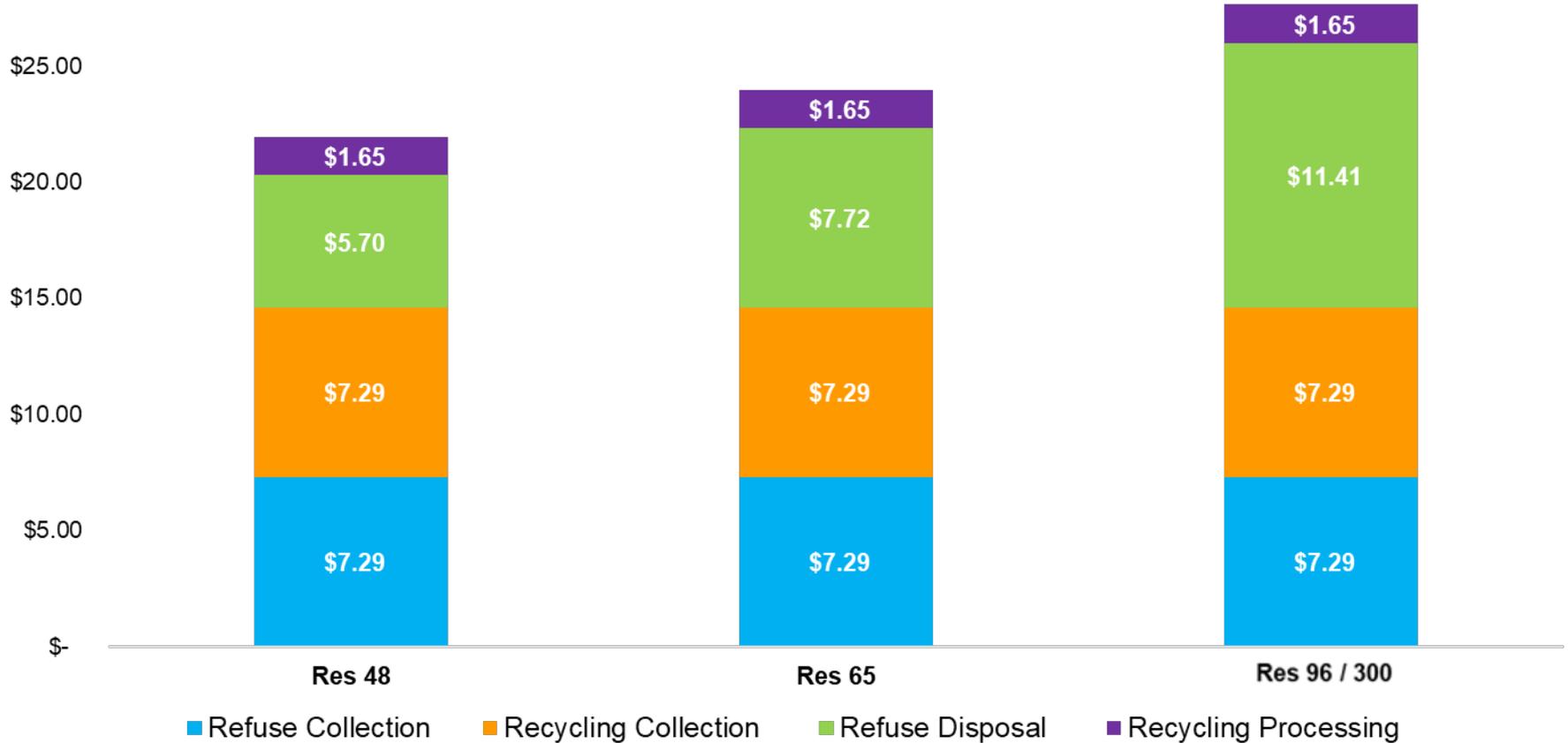
Tempe.

Rate Principles



- Rates must recover the revenue needs of the system
- Cost of service should form the basis for rate making
- Customer behavior is also a key consideration
- Solid waste fees pay for solid waste services

Residential Service Cost

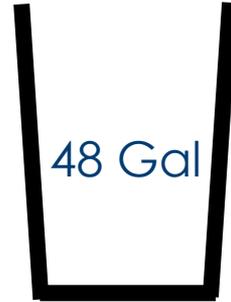


Proposed Residential Container Rates

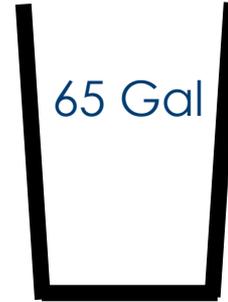


Key Drivers:

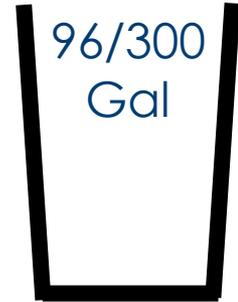
- Delayed Rate Adjustments
- Recycling Market Change
- Deferred Asset Replacement



48 Gal



65 Gal



96/300
Gal

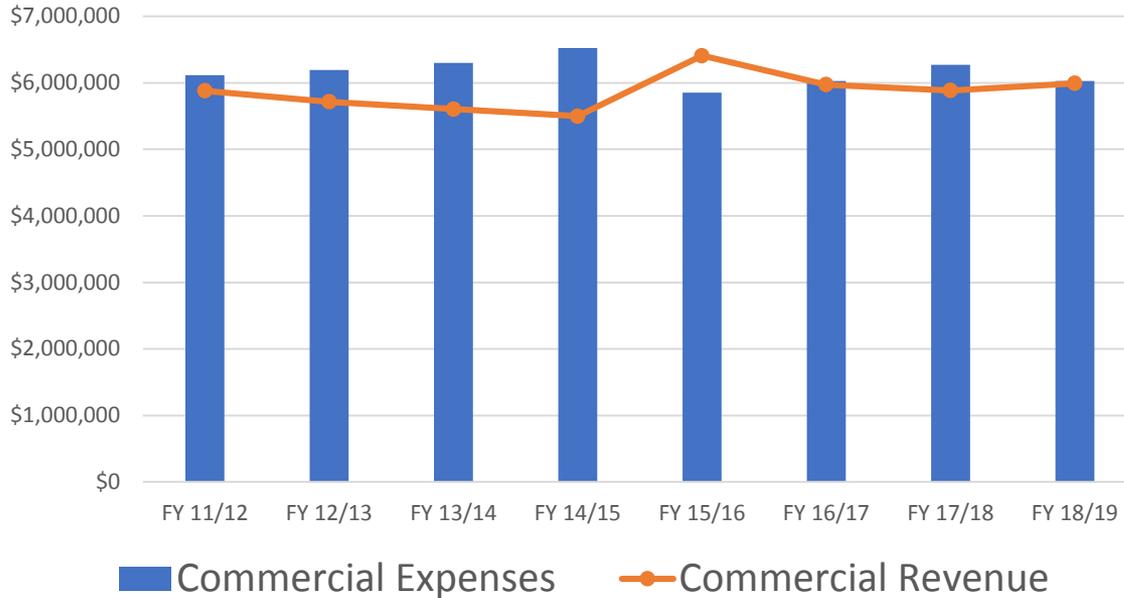
Current Rate: \$ 20.10	\$ 22.05	\$ 25.60
Calculated New Rate: \$ 21.94	\$ 23.96	\$ 27.64
<hr/>		
Change in Rate: \$ 1.84	\$ 1.91	\$ 2.04

Green Organics



- Currently a pilot program
- No rate for the container
- Recommendation is to charge for collection to enhance customer behavior
- Minimum cost to collect curbside is \$5.55, based on limited service areas

Commercial Front Load



- Not covering the cost to serve
- Competitive market for service
- Rate structure has not been updated recently

Front Load Recommendations



- Advance Dynamic Pricing of Front Load Rates
- Will require clear communication with customers

Commercial Roll-Off Rates



- Currently recovering cost of service
- Recommendation is to keep current rate and reevaluate in the future
- Replacement of vehicles and containers will ensure the sustainability of operations

Public Outreach



- Presentations at the Neighborhood Advisory Commission, Tempe Sustainability Commission & upcoming Mayor's Commission on Disability Concerns
- Email to Boards and Commissions, prior rate study participants, Neighborhood and Homeowners' Associations
- Press releases
- E-news distribution (includes Hispanic media (TV/print/radio))
- Social media posts on city's Twitter, Facebook, Instagram and Nextdoor accounts
- Tempe Today article
- Tempe 11 slides with meeting and public input information
- Digital screens at city community centers Public meeting dates posted on City online calendar
- Handouts at other city events and meetings
- Handouts at neighborhood meetings
- Brief articles/ads in local media and online - Warner Wrangler, My Local News,
- Project web site
- 2 Public Meetings (weekday & weekend)
- E-flyer distribution to Tempe schools
- Online comment period 9/23 – 10/7

Next Steps



10/11/19 – Post written notice and schedule of proposed fee adjustments

11/27/19 – Post notice of intent on website and distribute through social media

12/12/19 – Potential City Council adoption of new rates

1/1/2020 – If adopted, effective date of new rates

Questions & Discussion

September 19, 2019

