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DEPARTMENT OF
PUBLIC WORKS

CITY OF SACRAMENTO
CALIFORNIA

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June 16, 1987

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Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Solid Waste Cost and Rate Information

SUMMARY

This report provides additional information relative to the Proposed Solid Waste Budget and rate adjustments.

BACKGROUND

During the Budget and Finance Committee meeting on May 26, 1987, the Committee requested staff to provide additional financial information concerning the cost components of the Solid Waste Budget and how these components affect the various Solid Waste service rates.

FINANCIAL

In October, staff presented the results of a cost allocation model which separated costs into functional categories and distributes these cost to the specific Solid Waste services. The model has been updated to reflect the 1987-88 Proposed Budget appropriations. The following is a breakdown of the results of the updated cost allocation model:

Basic Garbage Service	
Collection	\$10,595,000
Disposal	2,332,000
Equipment	200,000
Debt Service	715,000
Capital Improvements	1,157,000
Basic Service Subtotal	14,999,000

Solid Waste Cost and Rate Information
 June 16, 1987
 Page 2

Garden Refuse Collection	4,233,000
Other Community Services	
Residential Street Sweeping	630,000
Thoroughfare Street Sweeping	425,000
Code Enforcement	153,000
Neighborhood Cleanup	494,000
Special Weekend Cleanups	57,000
Household Hazardous Waste Collection	60,000
Other Community Svcs Subtotal	1,819,000
Total Proposed Budget	\$21,051,000

The cost allocation model further distributes the above costs to each Solid Waste service rate such as residential curbside, 90-gallon, and commercial bin service. The exhibit below details the proposed rates in terms of the major cost components. The exhibit demonstrates that the rates for curbside and 90-gallon service are not sufficient to cover the cost of the additional programs beyond basic garbage service. On the other hand, the commercial two cubic yard leased bin rate is fully funded.

	<u>Curbside</u>	<u>90-Gallon</u>	<u>Com. 2 Cu.Yd. Bin</u>
Basic Service			
Collection	\$ 5.21	\$3.48	\$31.56
Disposal	.67	1.65	7.37
Equipment	.20	.20	5.49
Debt Service	.68	.68	.00
CIP	.32	.80	3.56
Other	.43	.50	.48
Subtotal	7.51	7.31	48.46
Garden Refuse	4.34	4.07	.00
Other Community Programs	1.13	1.13	8.66
Adjustment to Actual Rates	(1.76)	(2.06)	9.18
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	\$11.22	\$10.45	\$66.30
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Solid Waste Cost and Rate Information

June 16, 1987

Page 3


In addition to the cost components of the rates, it was requested that staff provide information relative to the cost increases which necessitate the rate increase. The rate adjustments will generate approximately \$1 million which corresponds to a overall rate increase to all services of five percent. The increase in residential rates beyond five percent represents an equity adjustment to gradually adjust the rates to reflect the cost of the service provided. Every 1% increase in the residential rates generates approximately \$110,000. The following exhibit demonstrates the magnitude of a cost increase in terms of an equivalent percentage rate increase needed to fund the program. The costs in excess of the revenue generated from the rate increase reflects contributions from other revenue sources.

	<u>Cost</u>	<u>Rate Increase Equivalent</u>	<u>Cumulative</u>
Base Labor Increase	\$195,000	1.8%	1.8%
Workers Compensation	215,000	1.9	3.7
Insurance Increases	64,000	0.6	4.3
Additional 90-gallon Trucks 30,000 Containers	245,000	2.2	6.5
Bin Maintenance Worker	417,000	3.7	10.2
Landfill Equipment Operator	26,000	0.2	10.4
Drop Box Sanitation Worker	45,000	0.4	10.8
Other Overhead	30,000	0.3	11.1
90-Gallon Labor Decrease	191,000	1.7	12.8
Other Offsets	(250,000)	(2.3)	10.5
	(178,000)	(1.5)	9.0

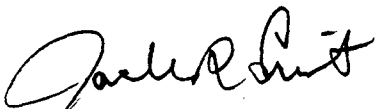
RECOMMENDATION

This report is for information only, no action is necessary by the Committee.

Respectfully submitted,


MELVIN H. JOHNSON
Director of Public Works

For Committee Information:


JACK R. CRIST
Deputy City Manager

June 16, 1987
All Districts