

TO: Mayor and Council Members

FROM: Robert D. Goode, Assistant City Manager

DATE: August 20, 2008

SUBJECT: Single Stream Recycling Update and Solid Waste Services Rate Changes

The purpose of this memo is to update you on the implementation of the Single Stream recycling program and inform you that staff is recommending a change in the proposed rates for the 30, 60, and 90 gallon garbage carts.

**Single Stream Recycling:**

Beginning in October, Solid Waste Services (SWS) will change the way Austin recycles with the city-wide launch of the Single Stream program. The service will allow customers to put all their recycling in one cart and recycle more (including plastics #1-#7 and boxboard, which includes cereal and soda boxes). SWS will continue to accept paper and cardboard, glass bottles and jars, and metal and aluminum cans. Existing pilot areas will have their carts exchanged from 60-gallon recycling carts to 90-gallon recycling carts. We expect to have most of the city on "single stream" by December.

**Rate Changes:**

The originally proposed increases in garbage pick up fees were developed so that the department's revenue covered increasing expenditures. As you know, significant increases to cost drivers contributed to the proposed Solid Waste Services rate and fee increase. Fuel costs are anticipated to increase by \$2,015,000 over the FY 2008 Estimate, an increase of 69.4%. Vehicle maintenance costs increased \$842,000. Additionally, there is a \$1.6 million dollar increase in debt service for vehicles, equipment, and single stream carts, \$600,000 for alternative fuel conversion, \$249,000 increase in land disposal costs and \$998,000 for 17 new positions to handle customer growth for the department.

The originally proposed rate increases were developed with both the operational revenue needs in mind and the idea of incentivizing the recycling program. Thus the 30 gallon cart rate was only proposed to increase by \$0.25/month. In comparison, the 60 gallon and 90 gallon rate increases were proposed at \$2.00/month and \$2.75/month respectively. After developing the Master Plan this year, a multi-year rate plan will likely be required to fund the long term vision for this department. That future plan would certainly increase the rate gap (the difference between the 30 and 90 gallon rates) such that it will make it even more beneficial for our customers to recycle more and throw away less. However, after hearing concerns and suggestions from members of the Solid Waste Advisory Commission and Council members regarding this year's "rate gap", and since Single Stream Recycling Program is imminent, we have developed a new proposal that would create a more significant rate gap.

We suggest that the residential garbage cart rate increases shown below would be implemented in December after the Single Stream program is substantially operational. Since these rates would not take effect until December, the department's ending balance for FY '09 will still be less than our financial policy (30 days of operational expenditures). All other SWS rate increases (base charge, anti-litter fee, etc.) would remain as originally proposed and would take effect in October.

**Proposed Residential Garbage Cart Rates**

	<b>FY'08 Rate</b>	<b>FY'09 Proposed Rate</b>
<b>30-Gallon Cart</b>	<b>\$4.75</b>	<b>\$4.75</b>
<b>60-Gallon Cart</b>	<b>\$7.50</b>	<b>\$10.00</b>
<b>90 Gallon Cart</b>	<b>\$10.25</b>	<b>\$16.50</b>

By keeping the 30-gallon garbage rate at the current level and increasing the rate gap for the 60 and 90-gallon cart sizes, the proposed rate structure has more of a significant tier that will help sustain the department's current level of service, but most importantly will help support the department's move from a policy and practice of waste management to a new proactive philosophy of managing waste as a resource.

Solid Waste Services has already undertaken an impressive array of programs and efforts to improve the opportunities for residents to recycle within the city, and it remains our commitment to establish a rate structure that will help support and achieve our short-term and long-term goals.

If you have any questions, please contact Willie Rhodes, Solid Waste Services Director.

xc: Marc A. Ott, City Manager  
Willie Rhodes, Solid Waste Services Director  
Leslie Browder, Chief Financial Officer