



Clean Community Fee Cost of Service Analysis

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Code Compliance Department

Prepared by:
Austin Resource Recovery
Finance Division

Code Compliance Clean Community Fee^{*} Cost of Service Analysis Table of Contents

	Page
I Executive Summary.....	3
II Methodology.....	4
Table 1: Cost Factors Descriptions.....	4
III Cost of Service Analysis.....	5
Cost Factor 1: Salary and Benefits.....	5
Table 2(a): Salary and Benefits.....	5
Cost Factor 2: Direct Costs.....	5
Table 2(b): Direct Costs.....	5
Cost Factor 3: Internal Indirect Costs.....	6
Table 2(c): Internal Indirect Costs.....	6
Cost Factor 4: External Indirect Costs.....	6
Table 2(d): External Indirect Costs.....	7
Total Clean Community Costs.....	7
Table 3: Total Cost for Clean Community Program.....	7
Clean Community Fee Revenue Projections.....	7
Table 4: Clean Community Revenue Projections.....	8
Clean Community Revenue and Expense Comparison.....	8
Table 5: Fee Recommendation.....	8
Conclusion.....	8

^{*} Formerly Anti-Litter Fee

Summary

The purpose of this analysis is to conduct a projected, full cost analysis of services supported by the Clean Community Fee (CCF) (Anti-litter fee) revenue for Fiscal Year (FY) 2012-13 (October 2012 – September 2013). Revenues generated through this fee support various programs within both the Code Compliance Department (CCD) and Austin Resource Recovery (ARR) Department. This analysis represents the CCD component of the Clean Community services.

CCD and ARR are in the process of re-naming the Anti-Litter Fee to “Clean Community Fee” (CCF). Renaming of the fee will provide a more transparent description to the community of the goal and value of programs supported by revenues collected. An additional step that is being taken is the separation of the fee between the two departments such that each has their own fee revenue funding. The FY 2011-12 Approved fee for residential customers is \$5.00 per month. ARR’s portion of the FY 2011-12 Approved residential fee is \$3.00 and CCD’s portion is \$2.00.

The fee assessed is based upon the total costs of programs administered provided by both departments to the community. Clean community services include litter and nuisance abatement, street cleaning, services provided by the City under article 5 of the Universal Recycling Ordinance and household hazardous waste disposal. The CCF is assessed to both residential and commercial utility customers on a monthly basis.

The CCD addresses nuisance abatement complaints regarding City code violations from the community. Through investigations and research, verified violations of zoning, dangerous structures, and littering, illegal dumping and nuisance abatement are documented and brought into compliance. In addition, an extensive education and outreach program emphasizing the importance of compliance with City codes and the strong connection between crime and grime will be implemented. Approximately 94% of CCD program costs are supported by the CCF.

The intent of the City is to annually re-evaluate programs and services provided by both the CCD and ARR for their effectiveness and cost recovery status. In addition, identification of any new programs which meet the goals of this fee will be incorporated into this analysis and impact on rates and fee structure evaluated.

In summary, the analysis indicates that in FY 2012-13, the projected revenues for the FY 2011-12 Approved fee do not meet the proposed expenditures of CCD programs and services. A proposed alternative to the current fee structure is presented to ensure the costs of delivering CCD services are provided on a revenue neutral basis.

Methodology

This cost of service analysis is based on the FY 2012-13 CCD projected costs. Four cost factors were considered based on CCD and ARR's expenditures to account for all costs. Each of the cost factors addresses additional expenses to the City that are a direct result of providing Clean Community services. The four basic cost factors considered are:

- 1) Salary and benefit costs
- 2) Direct costs
- 3) Internal indirect costs
- 4) External indirect costs

These factors are described in the table below:

Table 1: Cost Factor Descriptions

Cost Factor	Description
Salary and Benefits	Employee salary, benefits, and taxes (FICA, health, pension, etc.)
Direct Costs	Contracts, Supplies and Materials
Internal Indirect	Costs associated with administering the department
External Indirect	Central City-wide services such as Finance and Budget

The sum total of the four cost factors represents the total cost of providing Clean Community Services. The cost factors applied to this analysis are represented in both CDD and ARR's FY 2012-13 forecasted budgets. Many of the internal indirect costs relate to support services which are provided and funded through ARR's Budget.

The total of the four cost factors was utilized to determine the appropriate fees and rates to be charged monthly to the Clean Community customers. Once cost was established, a projection was created to estimate the number of customers expected to fall within the Clean Community service area in FY 2012-13. The projected customer count was then utilized to project revenue to be collected based on the current (FY 2011-12) approved rates. An analysis of the total projected cost and revenues was completed and identified a shortfall in the revenue to cover the total expenses of the program. The analysis indicates that a new rate structure or rate adjustment is necessary to ensure that the total costs are covered.

Cost of Service Analysis

This cost of service analysis is based on the FY 2012-13 forecasted Budget. Four cost factors were considered based on the CCF services expenditures to account for all costs: salary and benefits, direct, internal indirect and external indirect. Tables 2 (a) – 2(d) below provide a summary of information for each cost factor.

Cost Factor 1: Salary and Benefits

The direct labor costs for each employee providing CCD Clean Community services were used to determine the total for the first cost factor. These costs include salary and benefits provided by the City to all employees. Values listed in the table below are both current full time equivalent (FTE) positions and new FTE positions requested for FY 2012-13. All FTE costs listed below will be funded through the FY 2012-13 proposed Code Compliance budget.

Table 2 (a): FY 2012-13 Projected Total Salary and Benefits Costs

Position Title	Salary	Benefits
Code Compliance Department Unit		
Case Investigations (District A and District B)	\$3,324,295	\$1,489,334
License and Registration Compliance	\$395,472	\$164,521
Subtotal	\$3,719,767	\$1,653,855
Total Salary and Benefits Costs		\$5,373,622

Cost Factor 2: Direct Costs

CCD will have other direct costs in addition to the salary and benefits described above and they represent items necessary for CCD to provide Clean Community services. Costs for contracts, supplies, equipment, vehicle fuel and maintenance, etc. are included in this section. All of the costs listed below will be funded through the FY 2012-13 proposed Code Compliance budget.

Table 2 (b): FY 2012-13 Projected Direct Costs

Category	Amount
Code Compliance Department	
Commodities (hardware, tools, equipment, uniforms, etc)	\$238,514
Contractuals (fuel/maintenance, rentals, services, communications, printing, etc)	\$2,173,215
Total Direct Costs	\$2,411,729

Cost Factor 3: Internal Indirect Costs

The CCD services included in the Clean Community Program will have internal indirect costs in addition to the other costs listed. Internal indirect costs are related to administrative support provided by the ARR department for Human Resources (HR), Safety, Quality Control, Information Technology (IT) support as well as legal support provided internally by CCD. These costs are detailed below in table 2 (c).

Table 2 (c): FY 2012-13 Projected Internal Indirect Costs

Amount	
Code Compliance Department	
Legal Support	\$917,304
Finance [†]	\$241,990
Safety, Quality Control, Human Resources, Facilities, etc. [‡]	\$569,140
Support Services (IT, Public Information, Administration, etc.)	\$1,779,174
Total Internal Indirect Costs	\$3,507,608
Internal Indirect Costs In FY 2012-13 ARR Forecasted Budget	\$869,702
Total Internal Indirect Costs in FY 2012-13 CCD Forecasted Budget	\$2,696,478

Since support services are being provided by both ARR and CCD, they are projected and paid for respectively within each Department's FY 2012-13 Budget. CCD will begin creating their own internal support services staff for Finance, HR, etc. in FY 2013-14 and those costs will be reflected in the forecasted CCD Budget at that time. In the interim, ARR will provide the noted support services with no expense to CCD Clean Community services.

Total projected internal indirect costs total \$3,507,608. The portion not realized in the FY 2012-13 CCD Budget totals \$869,702 – these expenses are forecasted with the FY 2012-13 ARR Budget. Total internal indirect costs forecasted within the FY 2012-13 CCD Budget are \$2,696,478.

Cost Factor 4: External Indirect Costs

The CCD portion of the Clean Community Program will incur external indirect costs in addition to the other costs listed. External indirect costs include those expenses that are provided on a City-wide level by various other City departments outside of CCD and ARR such as Central Purchasing, the 3-1-1 Call Center, the City Manager's office staff,

[†] Internal indirect costs for Finance services are forecasted within the ARR FY 2012-13 Budget

[‡] Internal indirect costs for Safety, Quality Control, Human Resources, Facilities, etc. services are forecasted within the ARR FY 2012-13 Budget

etc.). All of the costs listed in Table 2 (d) are funded in the FY 2012-13 projected CCD budget.

Table 2 (d): FY 2012-13 Projected External Indirect Costs

Amount	
Code Compliance Department	
GO Debt, CTM, etc.	\$501,782
Citywide Admin Support	\$533,989
311 System	\$652,654
Other Requirements	\$145,526
Total External Indirect Costs	\$1,833,951

Total Cost for Clean Community Program Services

A summation of the four cost factors provides the cost of service. The total of all costs applicable to CCD's Clean Community services is \$12,554,390 (this amount excludes the \$869,702 forecasted in ARR's budget for Finance, HR, etc.). The total of the four cost factors is detailed in table 3 below.

Table 3: Total FY 2012-13 Projected Cost for
Clean Community Program

Amount	
Code Compliance Department	
Salary and Benefits Cost	\$5,373,622
Direct Cost	\$2,411,729
Internal Indirect Cost [§]	\$2,935,088
External Indirect Cost	\$1,833,951
Total Costs	\$12,554,390

Revenue Projections for the Clean Community Program

Projecting the expected revenue of the Clean Community Program is necessary to determine if our current rate structure/level is sufficient to cover all costs of the Clean Community Program. In order to project the revenue, Finance utilized current and prior fiscal year data regarding the number of Clean Community customers. Finance estimated the number of additional customers that will receive Clean Community services in FY 2012-13 by utilizing published City growth projection percentages as well as known annexation details for the next year. The monthly rate was multiplied by the number of projected FY 2012-13 customers and then multiplied by 12 to attain annual revenue.

[§] Internal indirect costs forecasted in CCD's Budget only

The FY 2012-13 revenue projections are detailed in Table 4 below.

Table 4: FY 2012-13 CCD Clean Community Services Revenue Projections based on FY 2011-12 rate structure

Category	Current FY 2012 Approved Monthly Fee	FY 2013 Projected Monthly Customers	FY 2013 Projected Annual Revenue based on FY2012 Approved rates
Residential Customer	\$2.00	345,608	\$8,294,584
Commercial Customer	\$3.00	24,193	\$870,956
Other CCD Revenue	N/A	N/A	\$610,000
Total Projected Annual Revenue			\$9,775,540

Projected Revenue and Expense Comparison

The projected fiscal year 2012-13 expenses for the Clean Community Program are \$12,554,390 and the projected FY 2012-13 revenues based on the FY 2011-12 fees are \$9,775,540 which results in a shortfall of \$2,778,850. This shortfall must be covered by the fee charged to the Clean Community customers and therefore an increased rate will be recommended. The proposed FY 2012-13 fees are detailed in table 5 below:

Table 5: FY 2012-13 CCD Clean Community Fee Proposal

Category	Proposed FY 2013 Monthly Fee	FY 2013 Projected Customers	FY 2013 Projected Annual Revenue based on FY2013 Proposed rates
Residential Customer	\$2.60	345,608	\$10,575,594
Commercial Customer	\$5.20	24,193	\$1,456,433
Other CCD Revenue	N/A	N/A	\$610,000
Total Projected Revenue			\$12,642,027

The proposed 2012-13 fees will result in a total revenue of \$12,642,027 which will cover the overall Clean Community expenses of \$12,554,390.

Conclusion

An increase in the Clean Community rate in FY 2012-13 as proposed will bring the revenue and expenses in balance in FY 2012-13.

CCD plans to create their own Finance, HR, etc. staff in FY 2013-14 which will increase the overall cost to CCD to provide Clean Community Services and decrease ARR's costs. A new cost of service analysis will be performed in one year to determine the necessity for additional Clean Community Rate adjustments.