



**To:** Zero Waste Advisory Commission

**From:** Bob Gedert, Director  
Austin Resource Recovery Department

**Date:** April 8, 2016

**Subject:** **Director's Comments regarding ARR Budget and Cost of Service**

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I am writing this memorandum in tandem with the communication to ZWAC from Ed Van Eenoo, Deputy Chief Financial Officer, to assist in providing clarity on the financial management of Austin Resource Recovery (ARR), as well as present a means for ZWAC Commissioners to be involved in the discussion of the ARR FY17 budget proposal.

The annual city budgetary process offers commissions the opportunity to discuss and comment on department budget proposals each year, typically from May through July. As ARR Director, I have presented the Department budget to ZWAC (formally SWAC) every year from 2010 through 2015, including the discussion of zero waste program expansions and rate increases. Throughout these six years, ZWAC has unanimously recommended to Council the presented department budget, without variation. In other words, the ZWAC commissioners have consistently agreed with expenditures and rate increases as presented by ARR staff in each of the past six years. Recognizing the recent concerns of affordability, I am expanding the typical budget discussions with ZWAC to include a more robust financial discussion.

#### **Rate increases**

The department has been transparent and open regarding rates and expenditures to ZWAC over the course of my tenure at ARR. Within that 6 year history, the 'typical' ARR customer using a 64-gallon trash cart saw an increase from 2010-2015 of only **\$2.85 (\$0.25-Cart & \$2.65-Base)** in their combined monthly cart and base fees, representing an annual growth rate of only **3%** as compared to an average increase in the City's overall budget of 4.8% over this period of time.

The 96 gal cart rate, utilized by 13% (as of January 2016) of ARR customers, has risen by \$10.60 over six years (2010-2015), by the urging of ZWAC and with full support of City Council. The intent over time has been to encourage large volume trash customers to reduce waste output by recycling more. The 96 gallon cart rate increases were *market drivers* to send a price signal to elicit action from "wasters", as coined by former ZWAC Chair Rick Cofer. In fact, the number of 96 gallon carts in the field decreased by 8,441 from January 2010 to January 2015 while the total number of carts in the field have increased 11,030 in the same timeframe. This can be explained in part because of the rate increases to the 96 gallon cart.

#### **Peer City Rate Comparisons**

Attached is the cost comparisons of peer cities presented at the January ZWAC meeting. The Department continues to apply its Pay-as-You-Throw rates across four cart sizes, unlike San Antonio and many other peer cities. City Council continues to support the stratified rate structure as a means to support the Zero Waste Goals of the City.

The ZWAC chair has noted several times that ARR rates are too high, and “double that of San Antonio.” Mr. Acuna is referencing the Austin 96 gal rate, and is not a fair point of comparison. ARR utilizes the 64 gal service as the benchmark for comparison of rates, as 65% of our customer base uses this cart size. As noted above, the 96 gal rate is intentionally set higher than service costs and does not represent the typical expense to Austin rate payers. The strategy to utilize the 96 gal rate as a price signal to encourage recycling was initiated in 2008 by SWAC with Mr. Acuna as chair. To correct the record, I note that the San Antonio 64 gal customer is charged \$20.93 per month for curbside services, while the Austin typical 64 gal customer is charged \$23.30. Thus, Austin’s rate is comparable to San Antonio’s rate.

### **Cost of Service**

In addition, in 2012 City budget staff conducted a thorough review of ARR’s services and fees and developed a robust model for accurately tying these fees to the Department’s cost to provide specific services. This Cost of Service model is updated each year with budgetary data from the Council Adopted Budget, and is utilized to analyze costs trending. The Department performs a detailed analysis of costs within 12 program service areas. This cost of service is evaluated and cross-checked by the City Budget Office each year. The Cost of Service for the current fiscal year was presented at the January ZWAC meeting, and provides a clear sense of costs per program. The current year Cost of Service is presented again as an attachment to this memo. Of note is the observation that curbside collection costs for recycling is lower than trash collection and landfilling. It is also noted that ARR spends significantly less than peer cities on public education and outreach.

### **Cost Reductions**

The Department has engaged in significant cost reductions and program changes to reduce expenses, including:

- Reduced the annual miles travelled for trash and recycling routes by more than **700,000 miles**, representing a reduction in CO<sup>2</sup> emissions by 1,800 tons annually.
- Held employee growth to **0.89%** annually from 2010-2015.

In conjunction with these cost savings, ARR also instituted a “zero-based budgeting process” to weed out unnecessary expenditures in recent years. I also note that ARR implemented several new zero waste initiatives *without* significant new costs to the typical customer, as presented to ZWAC in prior meetings.

### **Customer Service**

Throughout this time period, ARR has received very high customer satisfaction ratings through an independent survey company. In 2015, ARR’s residential recycling service received an **84%** satisfaction rating, which is 11 percentage points higher than the national average for cities with a population more than 250,000. Bulky item pickup, trash collection, and yard trimmings collection also received very high customer satisfaction ratings, as reported to ZWAC in January. Attached is a summary of the most recent ARR customer satisfaction ratings.

### **Comprehensive Review of ARR Finances**

Recognizing the interest of ZWAC members of an independent review of ARR operations and finances, I have requested the Department’s finances be reviewed and evaluated through the Office of Performance Management (OPM). OPM will oversee the City’s performance measurement process, identify and analyze opportunities for process improvements, and conduct targeted, in-depth reviews of a limited number of City departments each year. OPM is scheduled to conduct a comprehensive review of ARR’s operations, performance, budget, and financial management in advance of the fiscal year 2017-18 budget process.

### **ZWAC Budget Review Process**

As is customary in the past 6 years, ZWAC will be presented with several budget presentations, in preparation for Council's budget deliberations. Because of the heightened concern for affordability by ZWAC commissioners, I propose an expansion of the budget discussions as follows:

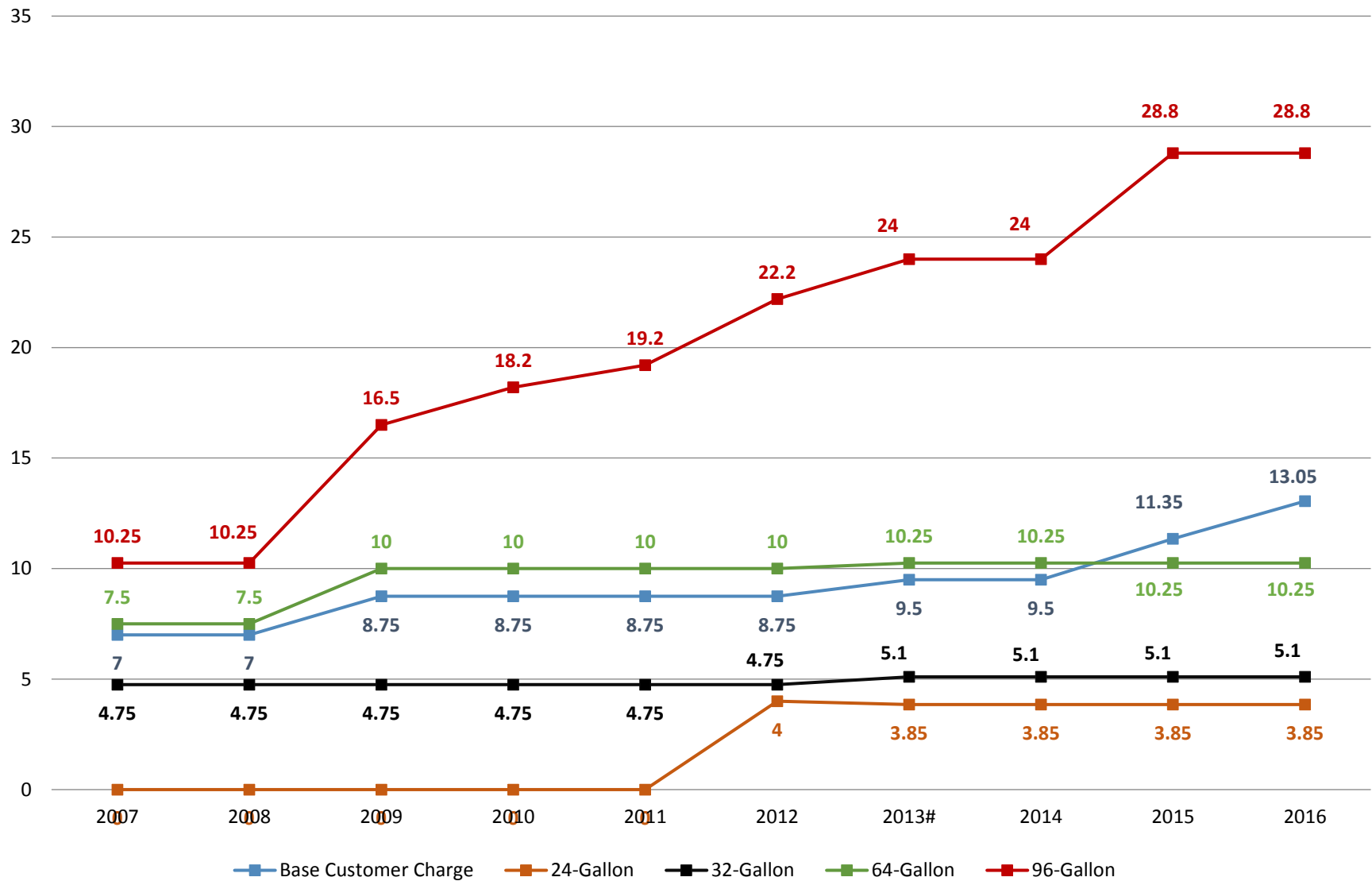
April ZWAC meeting: Budget Process Overview, and Organics & Weekly Recycling presentation  
May ZWAC meeting: 5-year Financial Forecast presentation and discussion  
June ZWAC meeting: Fiscal Year 2017 Budget Proposal, including expenditures and rates  
July ZWAC meeting: ZWAC discussion/recommendation of ARR Budget Priorities

If there is an identified need for more financial discussions, we can set additional meetings within this time frame. The City Council budget discussions begin July 27<sup>th</sup> and carries through September 14<sup>th</sup>.

Attachment 1: ARR Rate History  
Attachment 2: Customer Satisfaction Survey  
Attachment 3: Peer City Rate Comparisons  
Attachment 4: ARR Cost of Service

cc: Marc Ott, City Manager  
Robert Goode, Assistant City Managers  
Elaine Hart, Chief Financial Officer  
Ed Van Eenoo, Deputy Chief Financial Officer

## Residential Garbage Cart Monthly Rates FY 2007-2016

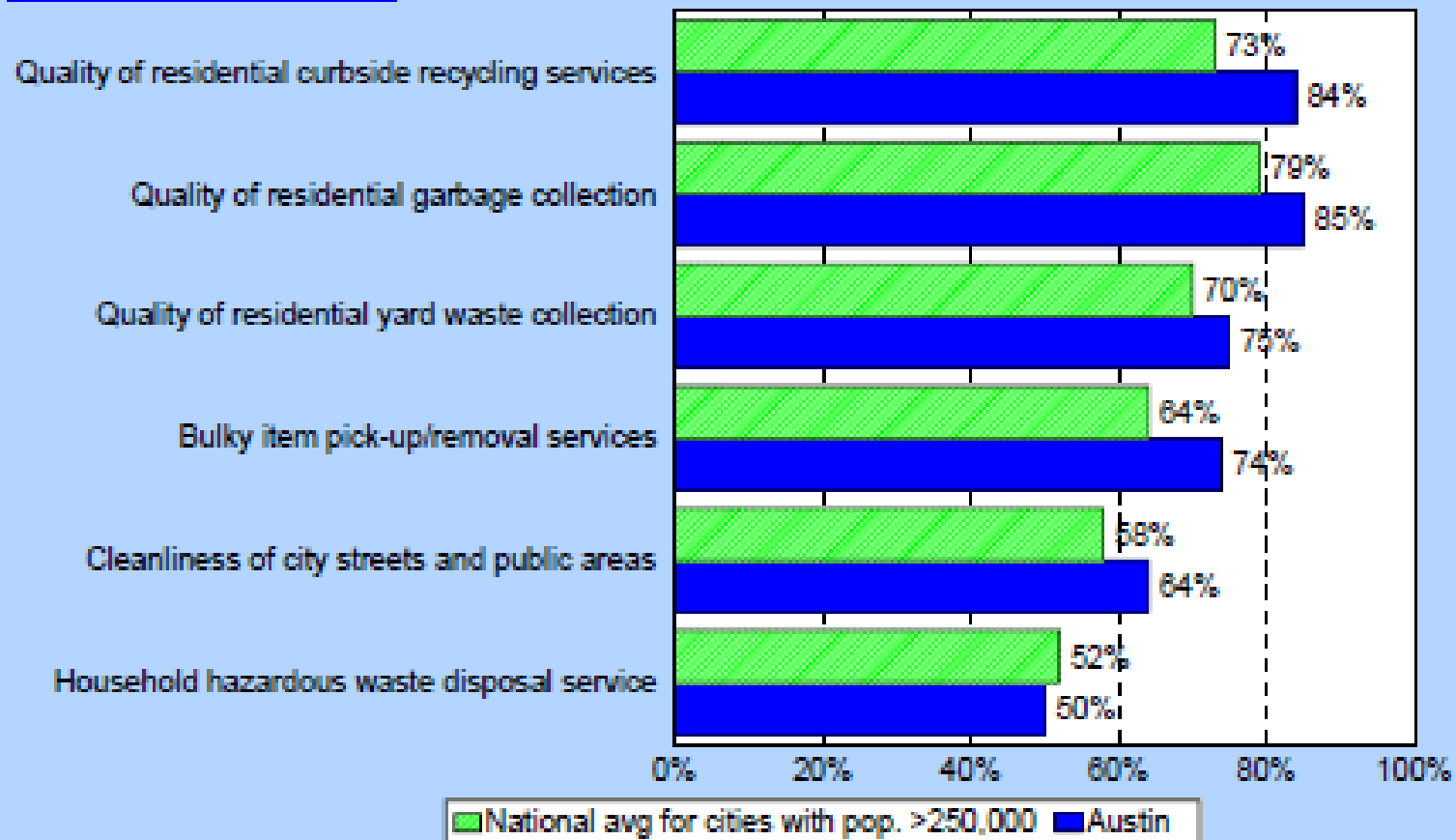


# Satisfaction with Neighborhood Services

## Austin vs. Large U.S. Cities

by percentage of respondents who rated the item as a 4 or 5 on a 5-point scale  
where 5 was "very satisfied"

### National Comparisons

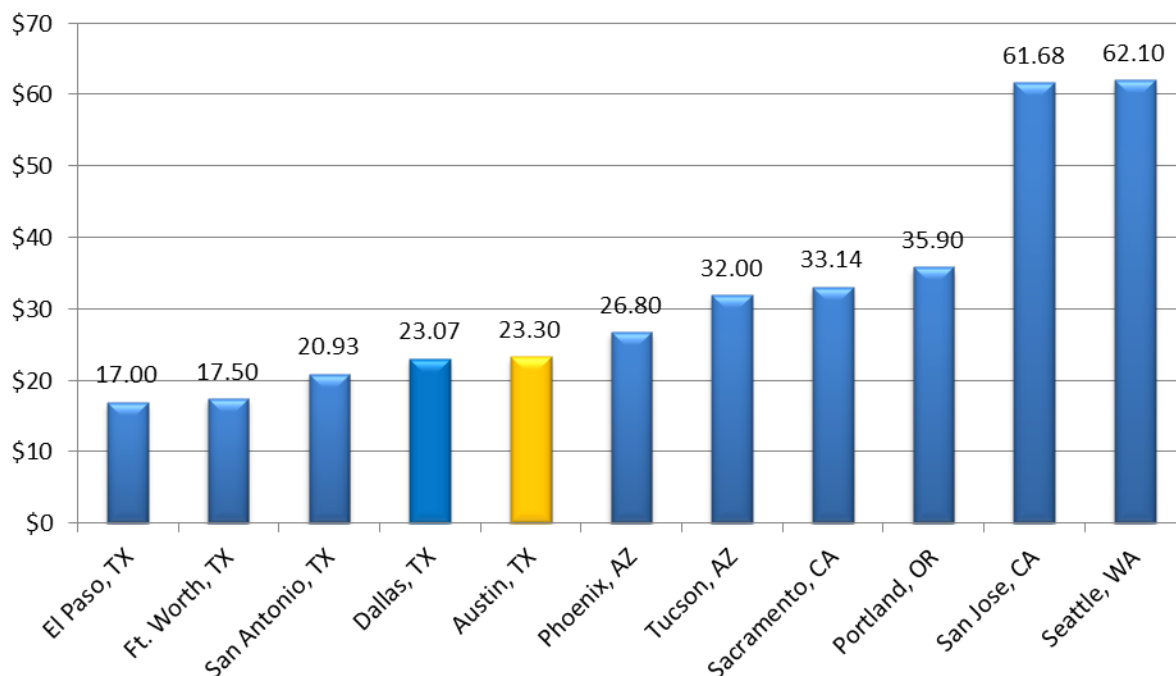


Source: ETC Institute DirectionFinder (2015)



# ARR National Rate Comparison\*

## FY2016 Rates



City and State	Residential Customers Served
El Paso, TX	175,000
Ft. Worth, TX	208,244
San Antonio, TX	346,000
Austin, TX	196,165
Dallas, TX	265,000
Phoenix, AZ	395,000
Tucson, AZ	137,000
Sacramento, CA	124,000
Portland, OR	144,494
Seattle, WA	270,000
San Jose, CA	213,000

Cities displayed were chosen for comparison because they offer similar curbside services, customer counts and commitments to waste diversion.

\*Rates shown reflect monthly base fee and 64 gallon (or standard size) cart fee charges for curbside collection services. Curbside collection services in other cities are not exactly the same as ARR, but are close enough to be comparable.

## Austin Resource Recovery Cost of Service Analysis

### FY15 Cost of Service: Curbside Programs

<b>Average Monthly Curbside Cost of Service / household</b>	<b>FY16</b>
<b>Trash Collection &amp; Landfill Disposal</b>	<b>\$11.06</b>
<b>Recycling Collection with Processing</b>	<b>\$ 7.46</b>
<b>Yard Trimmings &amp; Brush Composting</b>	<b>\$ 5.34</b>
<b>Bulky Waste Pickup</b>	<b>\$ 1.28</b>
<b>Total “Average” Cost of Current Services</b>	<b>\$25.14</b>

### FY15 Cost of Service: Clean Community Programs

<b>Average Monthly Cost of Service – per household</b>	<b>FY16</b>
<b>Clean Austin &amp; Litter Collection &amp; Dead Animal</b>	<b>\$1.54</b>
<b>Street &amp; Boulevard &amp; Bike Lane Sweeping</b>	<b>\$0.89</b>
<b>Landfill Closure</b>	<b>\$0.41</b>
<b>HHW Collection &amp; Resource Recovery Center</b>	<b>\$0.63</b>
<b>URO Implementation</b>	<b>\$0.43</b>
<b>ZW Education &amp; Outreach</b>	<b>\$0.32</b>
<b>Reuse &amp; Recycling &amp; Brownfields Redevelopment</b>	<b>\$0.15</b>
<b>Total Monthly Cost of Current Services</b>	<b>\$4.37</b>

Presented to ZWAC January 13, 2016