



FAQs: Proposed Changes to Resource Recovery Collection Rates and Services

On November 25, 2014 the Santa Cruz City Council approved the scheduling of a Public Hearing to discuss proposed changes to Resource Recovery Collection Rates and Services to occur on Tuesday, January 27, 2015 during the regular meeting of the City Council at 7 p.m.

Below are a few of the most common questions and their answers regarding Proposed Changes to Resource Recovery Collection Rates and Services:

How are the City's refuse, recycling and street sweeping programs funded?

The Refuse Enterprise Fund is a self-supporting fund that operates the City's refuse, recycling and street sweeping programs. This means that all costs are covered through rates only; no general City funds help support the program. The Refuse Enterprise Fund owns the City landfill and the recycling sorting facility on Dimeo Lane and markets all the recyclable materials collected through the program.

Why are Resource Recovery collection rates rising?

City Council last raised collection rates in 2006 with a four-tier schedule through 2009. Rates have not increased since July of 2009. Between 2007 and 2012 we were able to build up a healthy Refuse Enterprise Fund Balance but starting in 2013 our expenses began exceeding our revenues and spending down that fund balance.

In fiscal year 2015 the budget is about \$15 million in operating costs. Although we will end FY 14-15 with a fund balance of \$6 million, our expenses exceed our revenues (between \$3 million and almost \$5 million each year) cutting into that fund balance very quickly. A healthy enterprise fund needs not only enough revenue to meet annual expenses, but also a Fund Balance (or Reserve) to operate through a downturn in revenues or an emergency.

Why is a Refuse Enterprise Reserve Fund important?

The Reserve Fund is meant to keep the Refuse operation running in the event of any unforeseen events, including a natural disaster or revenue or expense volatility, and unfunded capital projects.

This summer the Finance Department did a risk stress test. This is meant to measure how well a fund can withstand these events. It estimates that we should maintain a reserve of one to three months, or about 17-25% of the of the annual operating budget expenses. However, given a self-sustaining fund like the Refuse Fund, it will need to be closer to 27-40% depending on near term capital assessments.

How have Resource Recovery operations costs increased?

Resource Recovery personnel costs have increased by 16% over fiscal year 2009 costs. Trucks and heavy equipment costs are up by 42% over that same period. In addition to capital outlay costs, capital improvements are also expensive such as a lined landfill cell which is required in 2015 with an estimated cost of over \$2 million. Changes in environmental regulations have required the City to invest in other Resource Recovery Facility capital improvements such as burn ash removal, freshwater bypasses, species habitat studies and other improvements.

How would the proposed rate increase work?

Our proposed rate increase would help us build the fund back up to approximately \$4.875 million by the beginning of 2019, or about 26% of our annual operating budget. This would bring us back to a more sustainable fund balance.

Rather than raise revenues all at once to meet expenses, the proposed rate increase raises revenues and spends down some of the fund balance until five years from now when we plan to have revenues equaling expenses while meeting the Target Reserve.

By combining the increased revenue from the rate changes with spending against the fund balance, the rate increase is kept from being immediately much larger, as it would be if revenues and expenses were required to equal out right away.

What new services/fees are being added?

The fee for bulky items is being reduced to encourage customers to use the landfill, rather than illegally dispose of items—which only adds additional costs to the operation of the refuse program. New fees include charges to allow customers to have additional recycling or greenwaste carts, get locks on carts to prevent scavenging, special cart cleaning services and a “difficult-to-service” fee for those harder-to-get-to customers.

New services also include 3-yard and 8-yard container rates, new compacter cleaning fees, and a simpler multi-material roll-off rate for contractors using the same box throughout a construction project.

How do the rate changes affect the City’s Zero Waste Goal?

The new collection rates align with the City’s Zero Waste Goal providing a financial incentive for both residential and commercial customers to move to smaller refuse carts or less frequent pickups—which leads to reducing the amount of waste going into the landfill and increasing recycling.

Are there statistics for recycling’s impact on the City landfill?

In 1997 the City landfill had an estimated life of only another 40 years, after which it would be filled up and no longer available for our needs. In 2014, 17 years later, as a result of the efforts of City residents and the refuse program’s operations, the landfill has an estimated 47 more years of life. The more we keep out of the landfill and the more we recycle, the longer we will have this landfill available to the City of Santa Cruz.

Are there any customer options to reduce the new rates?

As noted in the Zero Waste question above, there are financial incentives for both residential and commercial customers to move to smaller refuse carts or less frequent pickups. For example: if your current residential refuse cart is 64-gallon, you would save money by switching to a 32-gallon cart. You would save even more by downsizing to a 20-gallon cart.

A mailer was sent to all customers in late 2014 showing all of these options. This [mailer](#) is available online. You may also pick up a hard copy at the Public Works Department, 809 Center Street, Room 201.

How do I switch my cart size?

You can change your refuse cart size by calling our Customer Service Department at (831)420-5220. Recycling and Greenwaste carts are 64-gallon only and cannot be downsized.

When would the new rates take effect?

If approved by the City Council, the proposed Resource Recovery Collection Rates and Services increase would take effect February 1, 2015.