



City of Atlanta Department of Public Works

Work Session: Solid Waste Services - A Sustainable Path Forward

September 2018

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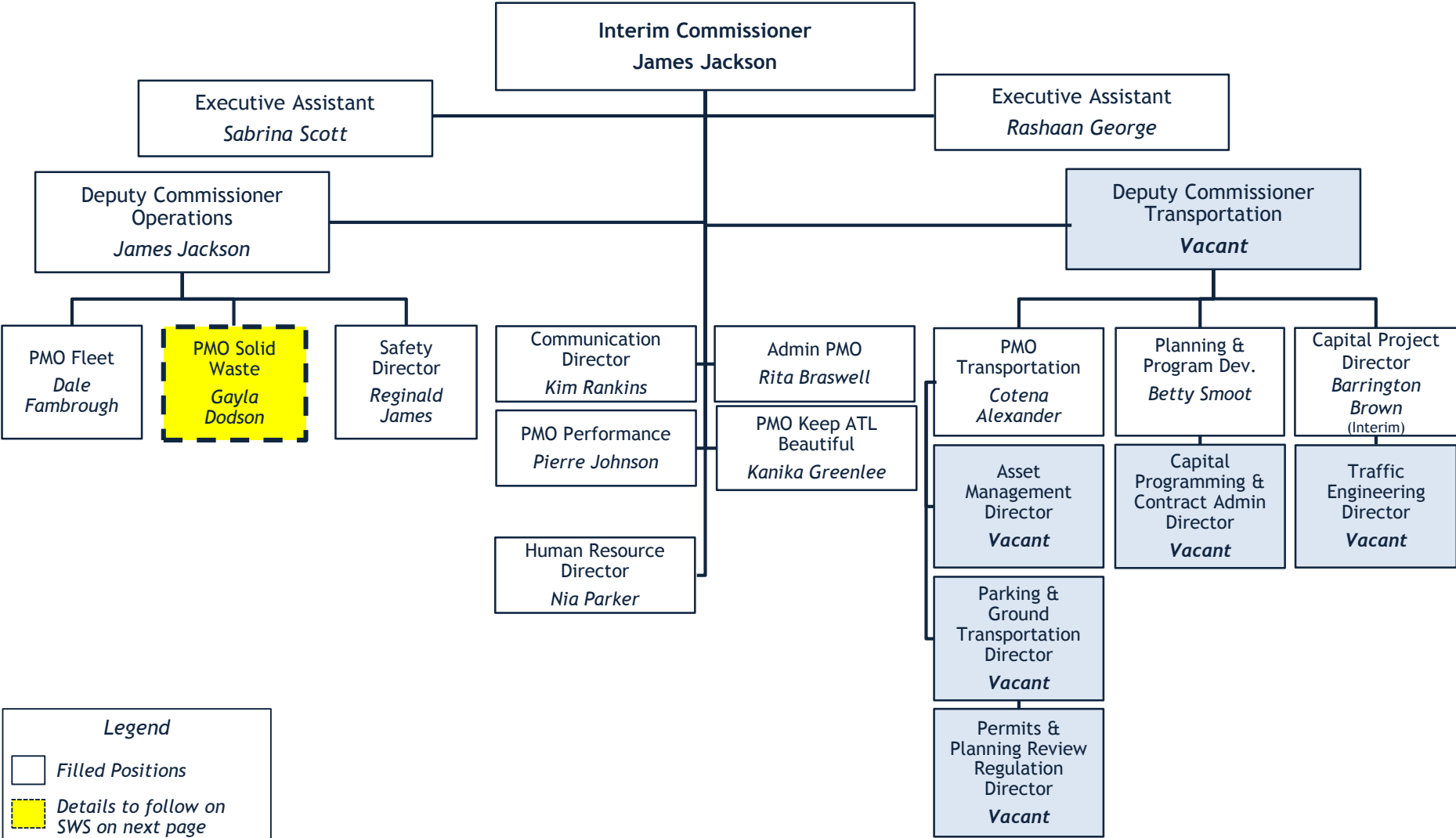
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Our Team: DPW Leadership Organizational Chart



Legend

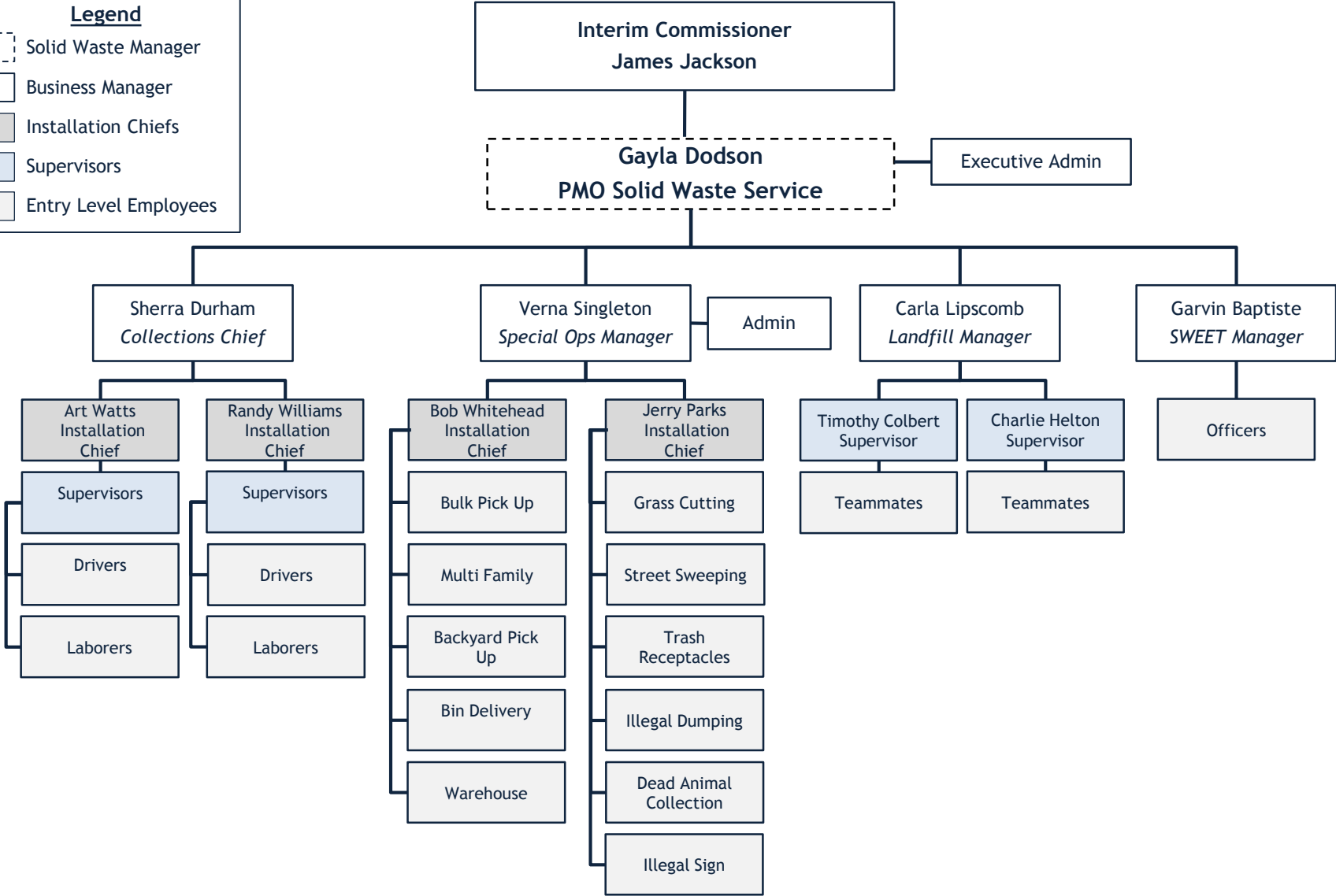
Filled Positions

Details to follow on SWS on next page

Our Team: Solid Waste Leadership Organizational Chart

Legend

- Solid Waste Manager
- Business Manager
- Installation Chiefs
- Supervisors
- Entry Level Employees



What We Do: City of Atlanta Solid Waste Services

Mission: We will make Atlanta a vibrant place to live, work, and visit through an integrated system of waste collection, innovative technology, responsive customer service and education to provide a healthy and safe community for generations to come.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Collections</p>		<ul style="list-style-type: none"> ➤ Curbside Waste ➤ Curbside Recycling ➤ Curbside Yard Trimming ➤ Backyard Collections ➤ Backyard Recycling ➤ Residential Multi-Family ➤ Support City Facilities
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Front Footage (Special Ops) Services</p>		<ul style="list-style-type: none"> ➤ Right-of-Way Maintenance ➤ Bin Delivery ➤ Dead Animal Removal ➤ Bulk Waste Collection ➤ Street Sweeping ➤ Illegal Dumping ➤ Illegal Sign Removal ➤ Special Event Staffing ➤ Vacant Lot Cut & Clean ➤ Serve Government District
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Education & Enforcement</p>		<ul style="list-style-type: none"> ➤ Solid Waste Education & Enforcement Team ➤ Supports Keep Atlanta Beautiful ➤ Public Education Information ➤ Community Outreach/NPUs



Our Challenge: While Much Has Changed Since 2004, Atlanta's Solid Waste Rates Have Stayed the Same

*Residential and commercial solid waste **rates last changed in 2004**¹. Over the past 14 years, operating costs have grown largely due to four factors:*

- A** **Direct cost increases** (e.g., labor, fuel) challenge SWS' cost structure and outpaced static pricing
- B** **Indirect costs are rising** due to investments and modernization efforts throughout the city over the past decade
- C** **SWS' fleet is aging** beyond its useful life due to under-replacement resulting in increased maintenance and reduced equipment availability
- D** **City of Atlanta boundaries are expanding** via annexations that require increased coverage

¹ Recycling rates were adjusted in 2010 - however, solid waste rates were not addressed



A Our Challenge: Direct Costs Have Increased Due to Market Factors and Recent Minimum Wage Legislation



Labor costs increased more than 15% due to salary adjustments



Fuel prices have increased 30% since 2004

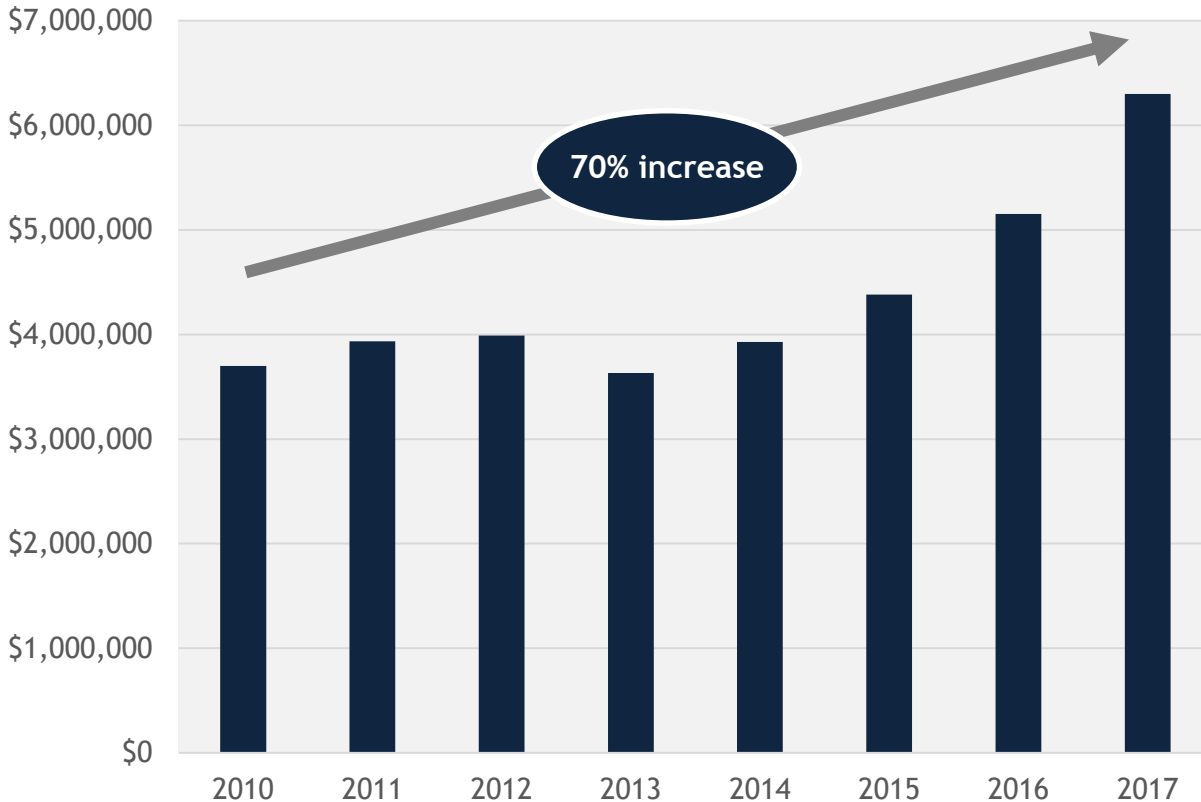


Disposal costs have increased by 50% in just the last three years and dictated by outside vendor terms



B Our Challenge: Indirect Costs Are Up 70% Since 2010

SWS indirect cost allocation FY2010-FY2017, \$USD



- Since 2010, **indirect costs increased by 70%** growing \$2.6MM over the period
- Indirect costs account for **12% of total SWS budget**
- SWS indirect costs **have increased due** to CoA investments (e.g., ERP implementations, shared services)



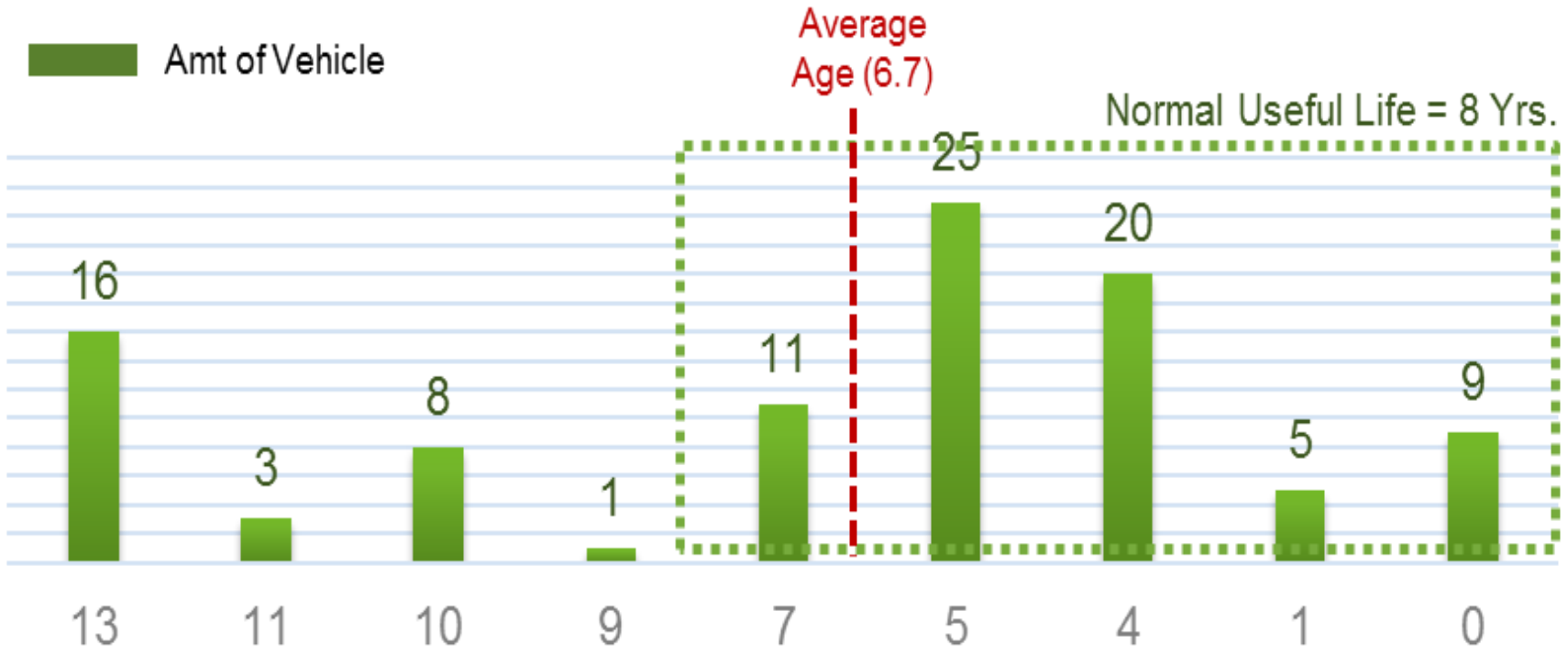
C Our Challenge: An Aged Garbage Truck Fleet with High Maintenance Costs and Downtime

- SWS average vehicle age is 6.7 years, just below our 8-year fleet life cycle
- Daily shortage directly impacts the department's ability to carry out its critical functions, such as the collection of garbage, yard trimmings, and recycling materials
- Without purchasing new trucks, 63 of 87 trucks will be beyond their life cycle in the next 3 years
- Goal of equipment replacement program is for all trucks to operate within the 8-year life cycle

Replacing older trucks with new ones will decrease the daily average number of trucks that are inoperable. Trucks past life cycle cost an average of \$40K more per year in maintenance



C Our Challenge: An Aged Garbage Truck Fleet with High Maintenance Costs and Downtime *Continued*



D Our Challenge: Atlanta is Expanding - We've Annexed More than 1,000 Households in the Last Two Years



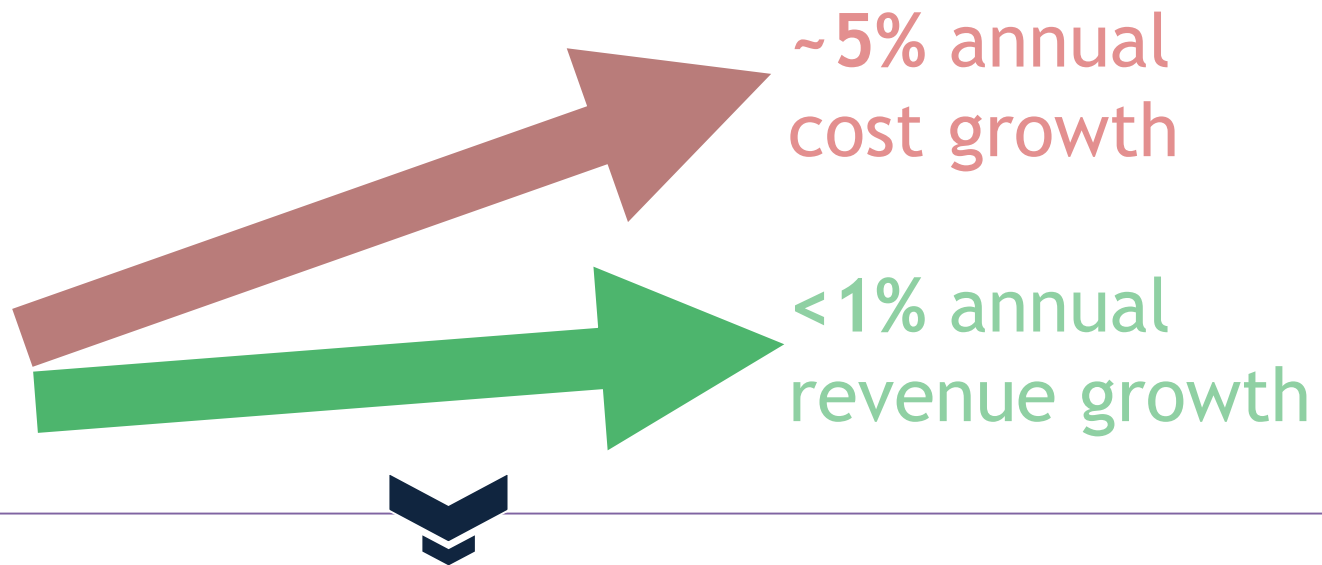
From 2015-2017, Atlanta annexed more than 1,000 households



- This totals to about **one full new route** to SWS operation
- Annexed areas can **present further operational challenges** driven by periphery location and integration into existing routes
- Newly annexed areas are **given 1-year of subsidized solid waste services** further driving an operational cost imbalance

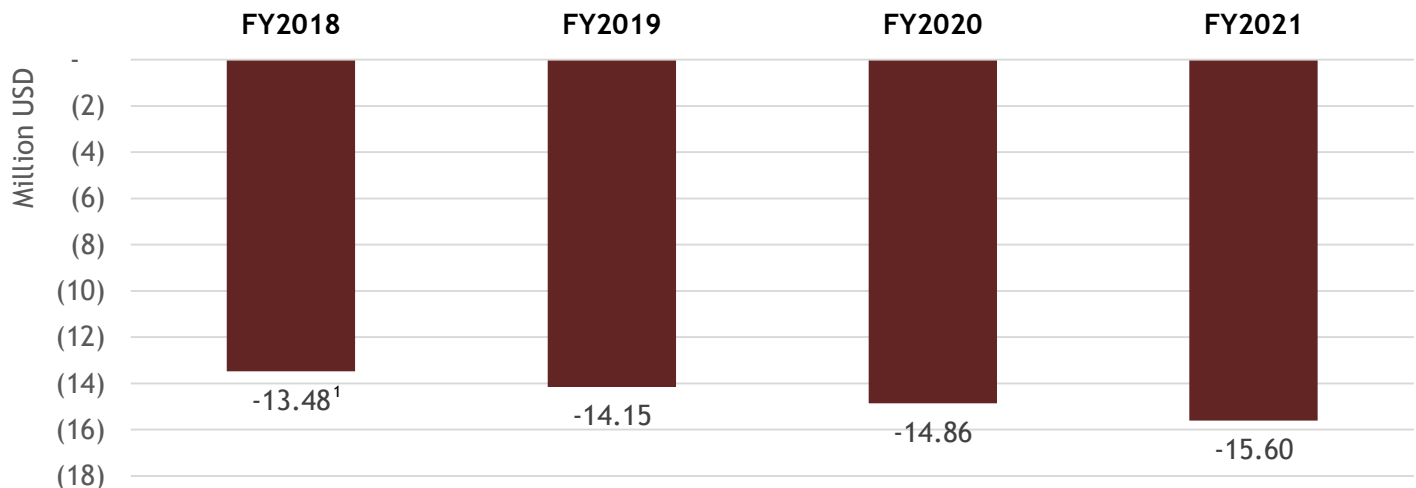
Where Are We Today: Expenses Have Outpaced Revenue

Historically, expenses have grown ~5% more than revenue



Without intervention, this trend will continue going forward impacting the General Fund

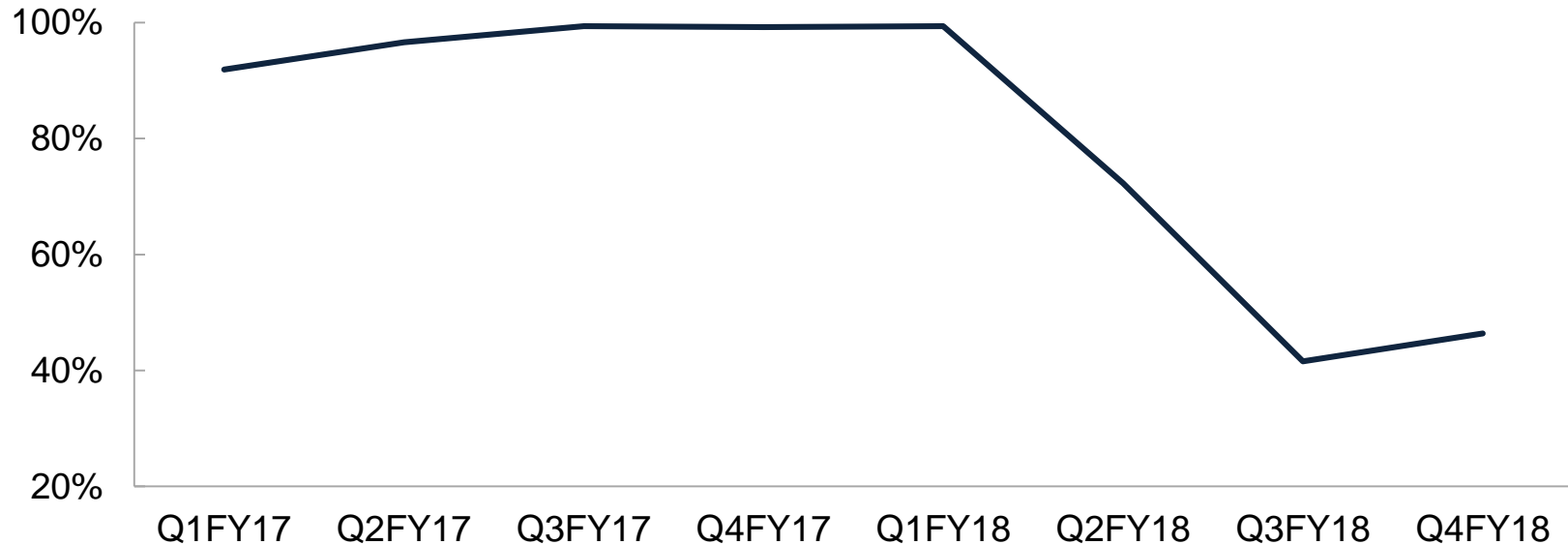
Current Annual Forecasted SWS Surplus / (Deficit) Without Rate Increase, \$USD MM



Where Are We Today: Impact to City of Atlanta Residents

Resource constraints from the financial deficit have recently contributed to an inability for solid waste department to provide minimum services to residents. This impact can be seen in our ability to service work orders within the service level agreement time. Aged equipment used in operations is resulting in frequent vehicle break downs when providing service to residents.

Percent of Work Orders Completed within SLA



We have a history of servicing missed collections at 90% or above until recently



The Path Forward: Where Do We Go From Here

1 Operational enhancements & efficiencies



Enhancing day-to-day operations to reduce direct costs through efficiency gains

2 Improved quality of service



Revamping our service model to improve the quality and consistency of our services

3 Financially sustainable business model



Developing a business model based on cost of service that can be sustained over time



1 The Path Forward: Operational Enhancements & Efficiencies



Route optimization - targeted goals to reduce overtime and fuel cost to improve operational efficiency

- Reduce overtime spend by \$1.5MM - SWS recently spent \$2.4MM in overtime for FY18
- Reduce fuel consumption by 20% per route



Capital replacement for increased equipment availability and reduced cost of equipment maintenance. Over the past three years solid waste rear loaders have averaged \$3.6MM in total maintenance annually



Implementing **scheduled monthly bulk pick-up** to reduce windshield time in servicing bulk pick-ups



Technology improvements to drive operational performance through accountability by providing supervisors insights into driver productivity and route completion percentages

2 The Path Forward: Improved Quality of Service

Residential

Curbside Garbage, Recycle & Yard Trimming Collection
 Bulk Collections
 Right of Way Grass Cutting
 Street Sweeping Service
 Trash Receptacle Service

As advertised

Weekly Service
 Monthly
 6x per year
 3x per year
 Weekly

Future

Weekly Service
 Monthly Scheduled Service
 6x per year
 3x per year
 Weekly

Commercial

Curbside Garbage, Recycle & Yard Trimming Collection
 Bulk Collections
 Right of Way Grass Cutting
 Street Sweeping Service
 Trash Receptacle Service

	Tier 1	Tier 2	Tier 3
Curbside Garbage, Recycle & Yard Trimming Collection	Not provided		
Bulk Collections	Not provided		
Right of Way Grass Cutting	3x per year		
Street Sweeping Service	4x per week	1x per week	1x per 3 weeks
Trash Receptacle Service	At least 1x per week		

	Tier 1	Tier 2
Curbside Garbage, Recycle & Yard Trimming Collection	Not provided	
Bulk Collections	Not provided	
Right of Way Grass Cutting	2x month	1x month
Street Sweeping Service	At least 2x per week	1x per week
Trash Receptacle Service	1x per day	2x per week



3 The Path Forward: Financially Sustainable Business Model

- **Rebalance current fee structure** to charge commercial property owners for services currently subsidized by residents
 - Since 2004, residential customers have subsidized commercial property owners upward of \$13MM
- Create a **sustainable long-term revenue structure** with the ability to tie revenue to consumer price index (CPI) and increase rates by 2% or CPI, whichever is lower, every 2-years
- Adequately fund **equipment replacement plan** to better manage assets for improved operability and lower lifecycle cost
- **Standardize and enforce service levels** so that customers can't burden others with their costs (e.g., no more than 5 bags of additional garbage in a residential pick-up)



Fee changes: Changes to Efficiently Operate a Financially Sustainable Solid Waste Enterprise with Higher Quality of Service

Solid Waste Services	FY 2018 (Current)	FY 2019 (Proposed)
<i>Residential Fees</i>		
Residential Recycling	\$88	\$88
Residential Single-Family Base Fee	\$307	\$366
Residential Front Footage (Avg)	\$50	\$0
Residential Total (Avg)	\$445	\$454
<i>Residential Backyard (Optional)</i>	\$962	\$1,146
<i>Residential Vacant Lot</i>	\$0	\$500

<i>Commercial Fees Tier 1</i>		
Commercial Parcel Lot Fee (1 - 100 ft.)	\$7.6 - \$760*	\$1,200
Commercial Parcel Lot Fee (101 - 200 ft.)	\$768 - \$1520*	\$2,400
Commercial Parcel Lot Fee (201 - 450 ft.)	\$1,528 - \$3,420*	\$5,400
Commercial Parcel Lot Fee (451 - 700 ft.)	\$3,428 - \$5,320*	\$8,400
Commercial Parcel Lot Fee (701 - 850 ft.)	\$5,328 - \$6,460*	\$10,200
Commercial Parcel Lot Fee (>850 ft.)	\$6,460+*	\$14,400

<i>Commercial Fees Tier 2</i>		
Commercial Parcel Lot Fee (1 - 100 ft.)	\$3.7 - \$370**	\$500
Commercial Parcel Lot Fee (101 - 200 ft.)	\$374 - \$740**	\$1,000
Commercial Parcel Lot Fee (201 - 450 ft.)	\$744 - \$1,665**	\$2,250
Commercial Parcel Lot Fee (451 - 700 ft.)	\$1,669 - \$2,590**	\$3,500
Commercial Parcel Lot Fee (701 - 850 ft.)	\$2,594 - \$3,145**	\$4,250
Commercial Parcel Lot Fee (>850 ft.)	\$3,145+**	\$6,000

<i>Commercial Fees Tier 3</i>		
Commercial Parcel Lot Fee (1 - 100 ft.)	\$2.89 - \$289***	N/A
Commercial Parcel Lot Fee (101 - 200 ft.)	\$292 - \$578***	N/A
Commercial Parcel Lot Fee (201 - 450 ft.)	\$581 - \$1,300***	N/A
Commercial Parcel Lot Fee (451 - 700 ft.)	\$1,303 - \$2,023***	N/A
Commercial Parcel Lot Fee (701 - 850 ft.)	\$2,025 - \$2,456***	N/A
Commercial Parcel Lot Fee (>850 ft.)	\$2,456+***	N/A

*Commercial Tier 1: \$7.60 per foot of street frontage property located in central business/downtown district receiving street cleaning.

**Commercial Tier 2: \$3.70 per foot of street frontage for property located in all areas receiving special thoroughfare street cleaning.

***Commercial Tier 3: \$2.89 per foot of street frontage for all other commercial and industrial property receiving regular street cleaning.

Eliminating this tier under the new rate

Key Changes/Impact to Customers

- Remove front footage fee for residents
- Introduce flat fee of \$454 for residents, resulting in an average increase of \$9 per resident
- Senior citizens continue to pay 30% discounted rate
- Introduce \$500 vacant lot fee
- Rebalance cost distribution for services delivered and introduce a two-tiered commercial fee structure
- Tiers are base on geographic location of commercial property in accordance to zoning future land use codes (see appendix). Commercial business owners can located land use code on their current tax assessment



Fee changes: Annual Fee Impact Examples on Sample Customers

Single family resident with 200' frontage

Restaurant in high density area of Buckhead with 100' frontage (Tier 1)

2004 - 2018

\$518.60

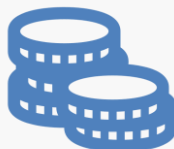


\$300.56



Future Bill

\$454.00



\$1,200.00



- Residents will on average see a \$9 annual increase though some will see decrease
- Some commercial customers will see a sizable fee increase to align with the increase in services provided



Fee changes: Key Principles Behind New Fee Structure



Tiered approach applied to provide differential service levels for different business types based on zoning and service demand



Commercial business zones located in higher density areas have higher service frequency



Residential customers will no longer have a front footage fee



Vacant lot maintenance will be done by the City on an as needed basis through code enforcement



Fee changes: The Path Back to a Balanced Budget

Solid Waste 3-Year Proforma Includes: Elimination of enterprise dependence on General Fund, enhanced front footage services, restructured aging garbage truck fleet, accounts for the minimum wage increase, increase in disposal fees, funds CHaRM Drop-offs, SWEET Enforcement Officers, APS Partnership, and Solid Waste Website.

Solid Waste 3-Year Proforma Millions	In	FY 2019 (Current)	FY 2020	FY 2021
Revenue				
Current Revenue		\$51.0	\$51.6	\$52.6
① Increase From New Fees		\$11.1	\$22.4	\$22.8
Total Revenue		\$62.1	\$73.9	\$75.4
Expenses				
② Current Expenses		-\$64.6	-\$64.6	-\$64.6
Additional Expenditures				
③ Additional Salaries		-\$4.6	-\$7.6	-\$7.6
Additional Equipment		-\$1.4	-\$1.4	-\$1.4
④ Additional Rear Loader Debt Service		-\$1.7	-\$1.7	-\$1.7
⑤ Rise in Minimum Wage		-\$1.2	-\$2.1	-\$2.1
⑥ Hike in Disposal Fees		-\$0.8	-\$0.8	-\$0.8
⑦ CHaRM, Enforcement & Education		-\$1.2	-\$1.2	-\$1.2
Total Operating Expenses		-\$75.5	-\$79.4	-\$79.4
Expense Reduction: Route Optimization		\$1.0	\$1.5	\$1.5
Expense Reduction: Vehicle Maintenance		\$2.1	\$2.1	\$2.1
Expense Reduction: Labor Reduction		\$0.5	\$0.7	\$1.0
Net Income		-\$9.8	-\$1.2	\$0.6

*Proforma does not include any expense impacts from future uncontrollable external events

Financial Comments

- ① **Fee Increase**
 - ✓ Residential removal of frontage fee
 - ✓ Increase residential rates by \$9 on average
 - ✓ Vacant lot fee addition in FY19
 - ✓ New commercial property owner fee
- ② **Current Expenses - Currently running on a -\$13MM annual deficit**
- ③ **Additional Salaries & Equipment for enhance front footage services:**
 - ✓ Street Sweeping (23 personnel; 23 street sweepers)
 - ✓ Trash Receptacle (19 personnel; 7 mini trucks)
 - ✓ Grass Cutting (115 personnel; 23 F-350 w/trailers)
- ④ **Vehicle Debt Service - \$1.7MM annually**
 - ✓ FY18 - 9 trucks for an additional \$300K/year (6 years)
 - ✓ FY19 - 40 trucks for an additional \$1.4MM/year (6 years)
- ⑤ **Rise in Minimum Wage - \$2.1MM annual add for compression**
 - ✓ FY18 - \$13/hour compression impact of \$500K
 - ✓ FY19 - \$14/hour compression impact of \$700K
 - ✓ FY20 - \$15/hour compression impact of \$900K
- ⑥ **Hike in Disposal Fees - \$0.8MM annually**
 - ✓ FY19 - Disposal cost per ton increased 22%
- ⑦ **Additional Solid Waste Services - \$1.2MM annually**
 - ✓ 4 CHaRM drop-off locations - \$800K
 - ✓ Additional SWEET Officers - \$280K
 - ✓ APS Partnership - \$100K
 - ✓ Solid Waste Website - \$20K



Why now?

- **Current rates do not cover current cost of services** due to no changes in over a decade and residential subsidies to commercial customers
- Changes will help **provide funding to support capital replacement** program, which is vital to service delivery
- Solid waste rate **billing is set on the calendar year** (January - December). Billing updates must occur by November 1st in order for Dekalb and Fulton Counties to issue tax assessment this Fall. Delayed billing will **increase the strain on the General Fund** cash pool
- General Fund can no longer support Enterprise Fund deficit. This deficit hinders the General Fund's ability to invest in other opportunities



Stakeholder Engagement: Rate Adjustment Communication Outline

- 1 September:** Public hearing notice has been advertised

- 2 September:** Solid waste team presents rates to each NPU meeting within city limits

- 3 September:** Letter is mailed to commercial property owners outlining the rate changes

- 4 September:** Present updated rates to Buckhead, Midtown, Downtown CIDs, and other business alliances

- 5 October 9:** City Utilities Committee (Public Hearing) 9:30 am, Atlanta City Hall, Committee Room 1, Second Floor

- 6 October 15:** Full Council Vote 1:00 pm, Atlanta City Hall, Council Chambers, Second Floor



Questions and Discussion



Appendix: Solid Waste Plan



Definition for Commercial Tiers

Tier 1 commercials properties are located within is the defined by City of Atlanta future land use zones below:

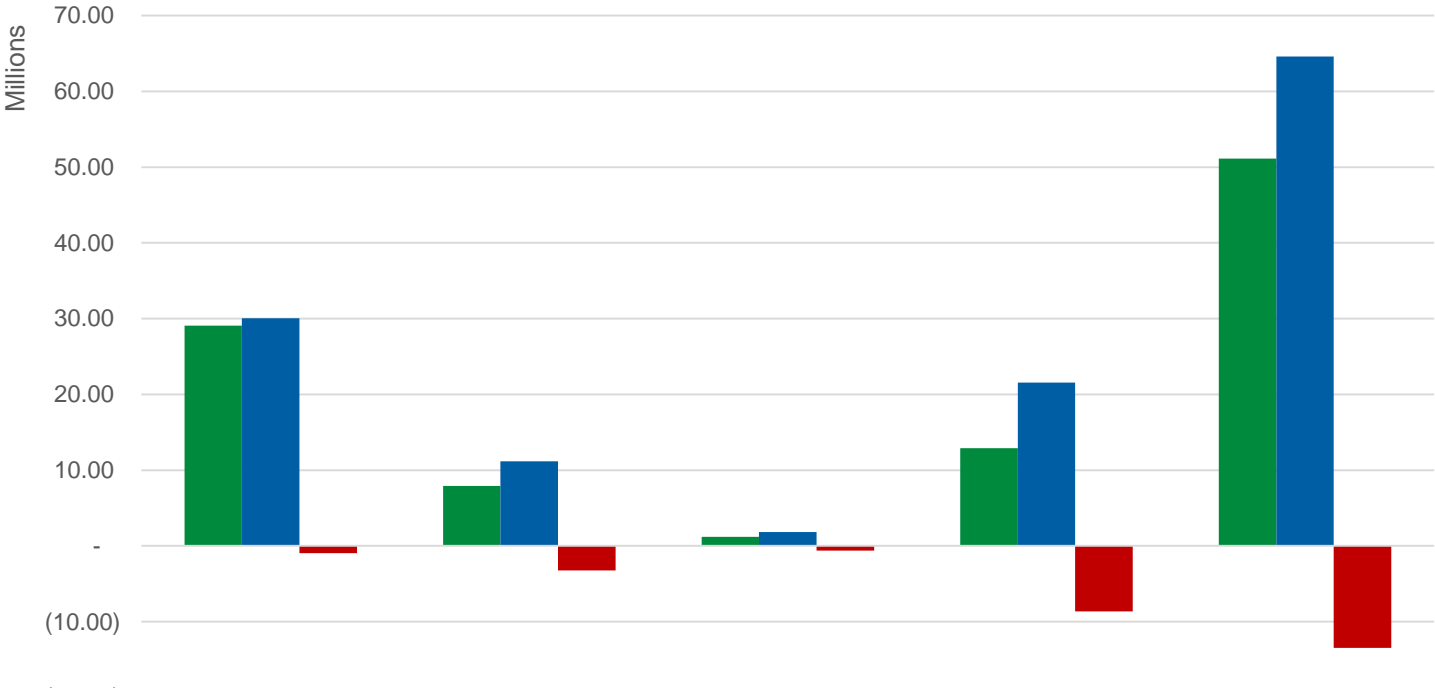
- Land Use Description is 'High-Density Commercial'
- Land Use Description is 'High-Density Mixed-Use'
- Land Use Description is 'Low-Density Commercial'
- Land Use Description is 'Low-Density Mixed-Use'
- Land Use Description is 'Medium-Density Mixed-Use'
- Land Use Description is 'Mixed-Use'
- Land Use Description is 'Mixed Use-High Density'
- Land Use Description is 'Mixed Use-Low Density'
- Land Use Description is 'Industrial'
- Land Use Description is 'Office/Institutional'
- Land Use Description is 'Office/Institutional/Residential'

All commercial properties are designated as Tier 2



Projected FY18 SWS Costs & Surplus / Deficit

PROJECTED FY18 PROGRAM COSTS - STATUS QUO



	GARBAGE	RECYCLING	COMMERCIAL	FRONT FOOTAGE	TOTAL
■ REVENUES	29,093,481.00	7,907,582.00	1,213,934.00	12,915,120.00	51,130,117.00
■ EXPENSES	30,063,767.00	11,148,946.00	1,848,637.00	21,548,319.00	64,609,669.00
■ SURPLUS/ (DEFICIT)	(970,286.00)	(3,241,364.00)	(634,703.00)	(8,633,199.00)	(13,479,552.00)

With no change in rates, the General Fund will contribute an estimated \$13.48MM in FY2018

