



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 151

Proposed Zero Waste Plan

BACKGROUND

State Assembly Bill 939 (AB 939), enacted in 1989, requires that all local California jurisdictions divert 50% of waste from landfills by the year 2000 and each year thereafter, and submit an annual update to the California State Department of Resources Recycling and Recovery (CalRecycle) for approval of programs designed to divert materials from disposal to the maximum extent feasible, or face fines of up to \$10,000 per day. State Assembly Bill 341 (AB 341), enacted in 2011, made a legislative declaration that it is the policy goal of the State of California that not less than 75% of the solid waste generated in California be source reduced, recycled, or composted by the year 2020.

On December 16, 2013, the City Council adopted a Zero Waste Objective for the City of San Diego with an initial goal of diverting 75% of waste generated in the City from landfill disposal by 2020, and a goal of Zero Waste by 2040. Additionally, the Environmental Services Department (ESD) was directed to develop a Zero Waste Plan (ZWP) that would establish a framework for the City's future planning to achieve the City's Zero Waste Objective.

On July 13, 2015, ESD will present the City Council with the proposed ZWP prepared in response to the Zero Waste Objective adopted by the City Council in 2013. The ZWP describes potential diversion strategies and programs the City may consider to incrementally implement over the five year period from FY 2016 to FY 2020 to achieve the goal of 75% diversion by 2020; presents the potential expansion of several of the proposed programs to achieve 90% diversion by 2035 (goal proposed within the City's draft Climate Action Plan); and sets the foundation for programs to support the goal of Zero Waste by 2040. Our office has reviewed the proposed ZWP in conjunction with the Department's update to the Enterprise Funds Five-Year Financial Outlook¹. This report will provide a brief summary of the proposed programs within the ZWP and the potential fiscal impact of the proposed ZWP to the Department.

¹ ESD will present an update to the Department's Enterprise Funds Five-Year Financial Outlook (Five-Year Outlook) to the City Council on July 13, 2015. Additional information related to the Five-Year Outlook, including a proposed fee adjustment, is provided in Report to Council No. 15-067.

FISCAL/POLICY DISCUSSION

As part of the action to adopt the Zero Waste Objective in 2013, the City Council directed ESD to develop a plan with potential programs to provide the framework for the City to achieve the goal of 75% diversion from the landfills by 2020. In addition to developing action programs to achieve the desired diversion rate, the Department considered the potential fiscal impacts of additional diversion from the landfills (reduction in revenue related to reduced tonnage disposed of at Miramar Landfill) and expansion of education programs (additional staffing and personnel costs); and developed potential funding options to mitigate the fiscal impacts of the ZWP. The Department's goal is to achieve overall cost neutrality for implementing the programs within the ZWP.

PROPOSED ACTION PROGRAMS

The City's current diversion rate is 67%. Based upon the current tonnage of materials collected at the landfill, the Department projects an additional 332,000 tons of materials will need to be diverted annually to achieve the goal of 75% diversion. Within the proposed ZWP, the Department presents multiple programs to be considered and potentially implemented over the next five years to achieve diversion of the additional 332,000 tons of material on an annual basis. While the ZWP provides potential programs to divert the additional tonnage, each program will need to be considered and approved by the City Council via certain processes such as the annual budget process; or will need to be considered and approved by the Mayor's Office, prior to implementation. The summaries below provide a brief description of the proposed programs to generate the additional diversion. More detailed descriptions of the proposed programs are provided in the Zero Waste Plan provided as an attachment to the Department's Report to Council No. 15-063.

- Additional Organic Recycling (Assembly Bill (AB) 1826)² – AB 1826 will require businesses, public agencies, and multi-family properties to arrange for the recycling (separation and collection) of organic materials including yard trimmings and food scraps. Increasingly stringent standards and compliance timelines are established within AB 1826.
- Franchise Haulers 50% Diversion Requirement – Franchised haulers collect from commercial and multi-family properties and their current diversion rate is 26%. ESD staff plans to propose a requirement that franchised haulers divert an escalating percentage of their collected waste streams to achieve a minimum of 50% diversion rate by 2020.
- Acceptance of Fibrous Materials – ESD staff will phase in the acceptance of fibrous yard trimmings at the Miramar Landfill Greenery.
- City Recycling Ordinance (CRO) Revisions – ESD staff anticipates proposing two revisions to the CRO: (1) reduction of certain exemptions in the CRO; and (2) addition of organic material and reuse items to the CRO. The reduction of certain exemptions will increase the number of properties subject to the CRO, while the addition of certain materials to the CRO is to comply with State law.
- Increased Recycling from City Facilities – The City proposes to develop a recycling scorecard (performance metrics) to support increased recycling in City facilities.

² AB 1826, enacted in 2011, requires jurisdictions develop plans to divert additional organic materials from landfill disposal; and will require businesses, public agencies and multi-family properties to arrange for recycling of organic materials.

- Additional Educational and Outreach Programs – ESD staff proposes to develop additional outreach/educational programs and increase the frequency of residential recycling and trash cart inspections. Expanded services will support all diversion efforts and will be supported by additional ESD staff.
- Resource Recovery Center – The Miramar Landfill handles approximately 200,000 transactions annually from non-franchised haulers (residents, businesses, contractors, etc.). Staff proposes to develop a facility to receive and divert recyclable materials from the mixed loads.
- Construction and Demolition (C&D) Ordinance 65% Diversion Requirement – ESD staff proposes to increase the diversion requirement within the C&D Ordinance from 50% to 65%.

Table 1 provides the projected benefit of each program, the projected implementation timeline, the legislative body to provide the needed approval, and the projected cost or the reduction in revenue related to each program.

TABLE 1

Proposed Action	Projected Diversion Amount (Tons)	Projected Implementation	Approving Body	Fiscal Impact	Annual Fiscal Impact (\$)
Additional Organic Recycling (AB 1826)	120,000	FY 2016	City Council	Revenue reduction	\$1,779,000
Franchise Haulers 50% Diversion Requirement	93,500	FY 2016	City Council	Revenue reduction	\$1,386,000
Acceptance of Fibrous Materials	18,000	FY 2016	City Council	Revenue reduction	\$234,000
CRO Revisions	13,000	FY 2016	City Council	Revenue reduction	\$193,000
Increased Recycling from City Facilities	1,500	FY 2016	Mayor's Office	Revenue reduction	\$22,000
Addition of Educational and Outreach Programs	4,000	FY 2017	City Council ¹	Increase in expenditures	\$1,586,000
Resource Recovery Center	80,000	FY 2019	City Council ²	Revenue reduction	\$2,800,000
C&D Ordinance 65% Diversion Requirement	2,000	FY 2019	City Council	Revenue reduction	-
TOTALS	332,000				\$8,000,000

1. As program includes addition of staff, the Department anticipates presenting program during the annual proposed budget process.

2. As program includes development of a CIP project, the Department anticipates presenting as part of the CIP Budget approval process.

PROPOSED FUNDING OPTIONS

The last column of Table 1 (above) provides the estimated fiscal impact associated with each of the proposed actions. As the proposed actions are projected to cost \$8 million, the Environmental Services Department has developed potential funding options to address the reduction in revenues and increased costs related to the action plans to achieve the 2020 goal within the ZWP. The potential funding options will need to be considered and approved by the City Council and/or the Mayor’s Office in the future. A summary of the proposed funding options is provided below.

- Closure of Miramar Landfill on Sundays – Proposal to close the Miramar Landfill on Sundays to reduce annual operating costs. Proposal was presented by Department staff as part of the San

Diego Works initiative. Proposal and potential steps necessary for implementation require additional evaluation.

- Elimination of Self-Hauled Residential Greens –Proposal would require revision to guidelines and Miramar Landfill fee schedule to limit the free greens disposal.
- Adjustment to Post-Closure Pledge of Revenue – Proposal to revise the post-closure financial assurance for Miramar Landfill required by CalRecycle. Adjustment would allow the Department to issue a pledge of revenue in lieu of annual cash transfer to a restricted fund, to address projected long-term maintenance costs for Miramar Landfill when it closes, and would reduce annual expenditures currently impacting the Department.
- Franchise Fees on additional waste collected – Proposal would remove the exemption for source separated recyclable materials (exempt from AB 939 and Franchise Fees) collected by franchise haulers and deposited at the landfill. Action would increase the amount of materials that fees could be charged, resulting in increased revenues from Franchise Fees.
- AB 939 Fees on additional waste collected – As described in proposed action above, removal of exemption of source separated materials collected would expand the amount of materials fees that could be charged, resulting in increased revenues from AB 939 Fees.
- Increase of AB 939 Fees – Proposal would increase the amount of fees charged by \$1 per ton in FY 2019 and FY 2020. The fee increase is projected to provide financial stability to the Department.
- Increase of tipping fee for food scraps – Proposal would require revision to Miramar Landfill fee schedule to increase the tipping fee associated with a more involved method of composting food scraps.
- Increase of Franchise Fees - Proposal would increase the amount of fees charged by \$1 per ton in FY 2020. This will result in more revenue to the General Fund.

Table 2 provides the projected implementation timeline for the proposed funding options, the necessary approvals for the funding options, and the projected fiscal benefit for each option.

TABLE 2

Proposed Funding Options	Projected Implementation (FY)	Approving Body	Annual Fiscal Impact (\$)
Closure of Miramar Landfill (Sundays)	FY 2016	City Council	\$500,000
Elimination of Self-Hauled Residential Greens	FY 2016	City Council	\$286,000
Adjustment to Post Closure Pledge of Revenue	FY 2017	Mayor's Office	\$1,000,000
Franchise Fees on additional waste	FY 2017	City Council	\$1,700,000
AB 939 Fees on additional waste	FY 2017	City Council	\$1,300,000
Increase of AB 939 Fee (\$2/ton) ¹	FY 2019	City Council	\$1,600,000
Increase tipping fee for food scraps to approx. \$50/ton to expand aerated static piles	FY 2019	City Council	\$1,000,000
Increase of Franchise Fee (\$1/ton)	FY 2020	City Council	\$700,000
TOTALS			\$8,086,000

1. Program proposes \$1/ton fee increase in FY 2019 and \$1/ton fee increase in FY 2020. Figure of \$1.6 million represents annual revenue generated from implementation of increases proposed in FY 2019 and FY 2020.

FISCAL IMPACTS

As the ZWP calls for phasing in several of the proposed actions and funding options, projected costs and revenues related to the ZWP do not exactly match on an annual basis. However, when looking at the cumulative impact of the proposed ZWP programs over the five-year period (FY 2016 – FY 2020), total projected costs and revenues are closely matched. Based upon preliminary projections developed by the Department, Table 3 below shows the projected annual and cumulative fiscal impacts of the proposed actions and funding options.

TABLE 3

ZWP Action Programs	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL
Revenue reductions	\$1,085,414	\$1,996,714	\$2,596,192	\$5,999,908	\$6,608,822	\$18,287,050
Increased expenditures		\$1,586,000	\$1,586,000	\$1,586,000	\$1,586,000	\$6,344,000
TOTAL INCREASE IN COST	\$1,085,414	\$3,582,714	\$4,182,192	\$7,585,908	\$8,194,822	\$24,631,050
Funding Options	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL
Increased revenue	\$393,000	\$4,786,000	\$4,786,000	\$6,586,000	\$8,086,000	\$24,637,000
TOTAL INCREASE IN REVENUE	\$393,000	\$4,786,000	\$4,786,000	\$6,586,000	\$8,086,000	\$24,637,000
Net Fiscal Impact	(\$692,414)	\$1,203,286	\$603,808	(\$999,908)	(\$108,822)	\$5,950

The cumulative projected fiscal impact of the proposed actions substantially achieves the goal of cost neutrality. Using projections from the updated Five-Year Outlook, our office also reviewed the fiscal impact to each of the Department’s funds (Refuse Disposal, Recycling, and General Fund) to ensure each funds’ ability to accommodate the discrepancies in the timing of expenses and revenues. Table 4 below illustrates the net fiscal impacts of the ZWP programs and the resulting funds’ balances³ on an annual basis from FY 2016 to FY 2020.

TABLE 4

Refuse Disposal Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Fund Balance (Outlook)	\$2,379,000	\$1,968,086	\$3,010,372	\$4,383,180	\$3,284,272
Revenues	\$30,632,000	\$32,082,000	\$33,741,000	\$34,412,000	\$35,317,000
Expenses	(\$32,502,000)	(\$32,746,000)	(\$33,475,000)	(\$34,214,000)	(\$34,962,000)
CIP Adjustment	\$2,000,000	\$0	\$0	\$0	\$0
ZWP Impact	(\$540,914)	\$1,706,286	\$1,106,808	(\$1,296,908)	(\$1,905,822)
Remaining Fund Balance	\$1,968,086	\$3,010,372	\$4,383,180	\$3,284,272	\$1,733,450
Recycling Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Fund Balance (Outlook)	\$9,275,000	\$6,825,000	\$4,771,000	\$3,112,000	\$2,633,000
Revenues	\$20,638,000	\$21,432,000	\$22,258,000	\$22,999,000	\$23,192,000
Expenses	(\$22,998,000)	(\$23,206,000)	(\$23,637,000)	(\$23,998,000)	(\$24,475,000)
ZWP Impact	(\$90,000)	(\$280,000)	(\$280,000)	\$520,000	\$1,320,000
Remaining Fund Balance	\$6,825,000	\$4,771,000	\$3,112,000	\$2,633,000	\$2,670,000
General Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
ZWP Impact	(\$61,500)	(\$223,000)	(\$223,000)	(\$223,000)	\$477,000

³ The projected fund balances within the Five-Year Outlook assume any actions proposed with the Department’s updated Five-Year Outlook are adopted by the City Council.

Based upon fiscal projections presented in the Five-Year Outlook and considering the net fiscal impact from implementing the proposed programs within the ZWP, the respective Department funds maintain positive fund balances throughout the five-year period. The Refuse Disposal Fund maintains a fund balance of approximately \$1.7 million in FY 2020, representing approximately 5% of the projected annual expenditures. The Recycling Fund maintains a fund balance of approximately \$2.6 million in FY 2020, representing approximately 11% of the projected annual expenditures. The fund balances are above the Operating Reserve amounts maintained by both funds. The projected annual impacts to the General Fund are nominally negative from FY 2016 through FY 2019 and positive in FY 2020.

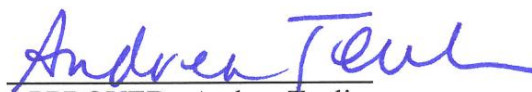
CONCLUSION

In 2013, the City Council adopted the Zero Waste Objective and tasked ESD with developing a plan to achieve the goal of diverting 75% of the waste collected from landfills by 2020. ESD has proactively requested stakeholder input during the plan development process and has facilitated multiple meeting/workshops to provide information to stakeholders and the public. The input received from these outreach efforts has been incorporated into the Zero Waste Plan being presented to the City Council for consideration. The ZWP presents potential strategies and programs to generate additional projected diversion needed to achieve the goal of 75% diversion from the landfills. Additionally, the Department had developed potential funding options to address the fiscal impacts of implementing programs within the ZWP. The identified funding options project to provide cost neutrality for the ZWP.

The ZWP, in addition to presenting a plan to achieve the 75% diversion goal by 2020, establishes important goals for the Department and the City as it strives to achieve even greater diversion beyond 2020. As noted in the ZWP, all the proposed programs and funding options will need to be brought forward to either the City Council or the Mayor's Office for future consideration and approval.



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