

Analysis of the Fiscal Impact of the People's Ordinance

Environment Committee, Item 2

October 7, 2021



Independent Budget Analyst



The People's Ordinance

Request from Councilmember Elo-Rivera

- On July 14, our Office received a memo requesting an analysis on the fiscal and policy impacts of the People's Ordinance.
- Specific requests included:
 - The FY 2022 General Fund impact
 - Projected impact for the next five years and for the previous five years
 - Impact to City bonding capacity
 - Impact to Zero Waste Goals
 - An analysis of the provided services and fees charged for refuse collection in other cities, and
 - Generalized demographic data on who receives these services
- Thank you to the Environmental Services Department for their assistance with this report.

What is the People's Ordinance?

And What Does it Say?

- The People's Ordinance is the part of the Municipal Code, passed by ballot measure in 1919 and subsequently amended by voters in 1981 and 1986, that directs City staff to collect refuse for no charge.
- The Municipal Code directs City forces to collect Residential Refuse, and prevents City forces from collecting Nonresidential Refuse
- "Residential Refuse" includes refuse that is generated from a residence that can be placed at the curb line in specified containers. "Nonresidential Refuse" is everything else.
- The impact is that some City residents receive free trash collection services, paid by the General Fund, while other residents and all commercial businesses must pay for these services from private providers.
- Only service funded by the General Fund that does NOT confer a general benefit

New People's Ordinance Impacts

Fiscal and Policy Implications

- California State Law SB 1383 requires all refuse collectors to now also collect organic materials for separate processing.
- This will take the place of yard waste services by requiring the expansion of City services to all residents (only 45,000 out of 285,000 residences currently have automated cart yard waste services).
- The FY 2022 Adopted Budget includes \$7.0 million in General Funds to begin the implementation of the expansion of this service.

Question 1

Fiscal Impact in FY 2022

- The FY 2022 Adopted Budget contains \$43.2 million in General Funds for services rendered under the People’s Ordinance.
- Adding in other funds, total City spending could be as high as \$71.8 million.

Table 1	FY 2022 Adopted Budget				
Division	General Fund	Recycling Fund	Refuse Disposal Fund	Automatic Container Fund	Total
Collection Services	\$42.8	\$19.2		\$1.7	\$63.7
Disposal and Environmental Protection		4.6	2.3		6.9
Environmental Services Support Services	0.4	0.2			0.6
Waste Reduction		0.6			0.6
Total	\$43.2	\$24.6	\$2.3	\$1.7	\$71.8

Question 2

Projected Fiscal Impact - FY 2023-2027

- The Projection includes the FY 2022 Adopted Budget base, as well as projected SB 1383 and other costs, and utilizes similar factors to the Five-Year Financial Outlook
- Costs could increase in out years due to either unknown compliance costs for SB 1383, or potentially higher tipping fees for the new Organics Processing Facility.

Table 2	Five Year General Fund Forecast				
Fiscal Year	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
General Fund Base Budget	\$38.8	\$39.8	\$39.5	\$40.9	\$41.7
SB 1383	6.8	6.8	6.8	6.8	6.8
Total General Fund	\$45.6	\$46.6	\$46.3	\$47.7	\$48.5
Recycling Fund Base Budget	\$19.5	\$20.3	\$20.0	\$21.0	\$21.6
Recycling Fund Processing	4.6	4.6	4.6	4.6	4.6
Total Recycling Fund	\$24.1	\$24.9	\$24.6	\$25.6	\$26.2
Total Expenses	\$69.7	\$71.5	\$70.9	\$73.3	\$74.7

Question 3

Past Fiscal Impact - FY 2017-2021

- Costs reflect actual spending.

Table 3	Five Year Historical Spending					
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
General Fund	\$32.8	\$33.4	\$34.0	\$35.3	\$37.4	\$172.9
Recycling Fund	15.3	16.9	17.7	18.0	19.6	87.5
Total	\$48.1	\$50.3	\$51.7	\$53.3	\$57.0	\$260.4

Question 4

Bonding Capacity Impacts

- For a potential new Enterprise Fund, the costs of debt and bonding would be included in the requisite cost of service study and subsequent fees. However, we would note that refuse collection services are not typically a capital intensive activity.
- The reduction in City operating expenses in the General Fund due to the imposition of a service fee would provide additional revenue the City could use to pay debt service costs associated with new capital improvement bonds. Alternatively, these savings could be used to annually provide new or higher levels of public services, other activities, or some combination of services and bonds. These decisions would have to be made by City Council through the budget process.

Question 5

Zero Waste Plan Impacts

- City goal to divert 100% of waste away from the Landfill by 2040.
- City forces handle approximately 30% of the waste deposited into the landfill.
- Primary impacts to Zero Waste goals are in three general issues
- 1) Lack of knowledge about the customer base hampers enforcement and educational outreach
- 2) Service level impacts due to lack of resources that prevent improved customer participation in waste diversion programs
- 3) Inability to implement volume-based pricing strategy (“Pay-as-You-Throw” pricing)

Question 6

Other Cities Analysis

Table 4		Trash Fee and Services Comparison				
City	Fee (per month)	Can Size (gallons)	Recycling Included	Green Waste Included	Typical Total Charge	Additional Services For All Customers
San Diego	\$0.00	95 or 65	Yes (biweekly, 95 or 65 gallons)	Partial coverage, biweekly, most cans customer provided	N/A	Household hazardous waste, illegal dumping
Other Large California Cities Utilizing City Forces						
Los Angeles	\$36.32	60	Yes (90 gallons)	Yes (90 gallons)	\$36.32	Free bulky item pickup
Fresno	\$25.27	96	Add \$3.74 (96 gallons)	Add \$3.87 (96 gallons)	\$29.01	One scheduled bulk pickup per year
	\$19.20	64	Add \$3.74 (96 gallons)	Add \$3.87 (96 gallons)	\$26.81	One scheduled bulk pickup per year
Long Beach	\$24.47	64	Yes (64 gallons)	No	\$24.47	Four special collections per year
	\$28.99	100	Yes (100 gallons)	No	\$28.99	Four special collections per year
Sacramento	\$26.93	96	Add \$7.16 (64 or 96 gal)	Add \$11.88 (96 gal)	\$45.97	Two bulky pickups and two e-waste or appliance pickups per year
	\$22.13	64	Add \$7.16 (64 or 96 gal)	Add \$11.88 (96 gal)	\$41.17	Two bulky pickups and two e-waste or appliance pickups per year
	\$16.80	32	Add \$7.16 (64 or 96 gal)	Add \$11.88 (96 gal)	\$35.84	Two bulky pickups and two e-waste or appliance pickups per year

Question 6 cont.

Other Cities Analysis

Table 4		Trash Fee and Services Comparison				
City	Fee (per month)	Can Size (gallons)	Recycling Included	Green Waste Included	Typical Total Charge	Additional Services For All Customers
Other Large California Cities with Franchisees						
San Jose	\$137.31	96	Yes (any size)	Add \$5.38 (any size)	\$142.69	Free large item pickup
	\$91.54	64	Yes (any size)	Add \$5.38 (any size)	\$96.92	Free large item pickup
	\$45.77	32	Yes (any size)	Add \$5.38 (any size)	\$51.15	Free large item pickup
San Francisco*	\$16.12 (base fee)	16 (add \$6.73)	32 (add \$6.73) or 64 (add \$13.64) or 96 (add \$20.19)	32 (add \$6.73) or 64 (add \$13.46)	\$49.77	Free bulky item pickup
		32 (add \$13.46)	32 (add \$6.73) or 64 (add \$13.64) or 96 (add \$20.19)	33 (add \$6.73) or 64 (add \$13.46)	\$56.50	Free bulky item pickup
		64 (add \$26.92)	32 (add \$6.73) or 64 (add \$13.64) or 96 (add \$20.19)	34 (add \$6.73) or 64 (add \$13.46)	\$69.96	Free bulky item pickup
		96 (add \$40.38)	32 (add \$6.73) or 64 (add \$13.64) or 96 (add \$20.19)	35 (add \$6.73) or 64 (add \$13.46)	\$83.42	Free bulky item pickup
Other Large Non-California Cities Utilizing City Forces						
Phoenix	\$33.80	90 (or 60 to save \$5.00)	Yes (90 gallons)	Add \$5.00 (90 gallons)	\$38.80	Four bulk pickups per year

*San Francisco typical total charge includes 64 gallon cans for both Recycling and Green Waste

Question 7

Generalized Demographic Data

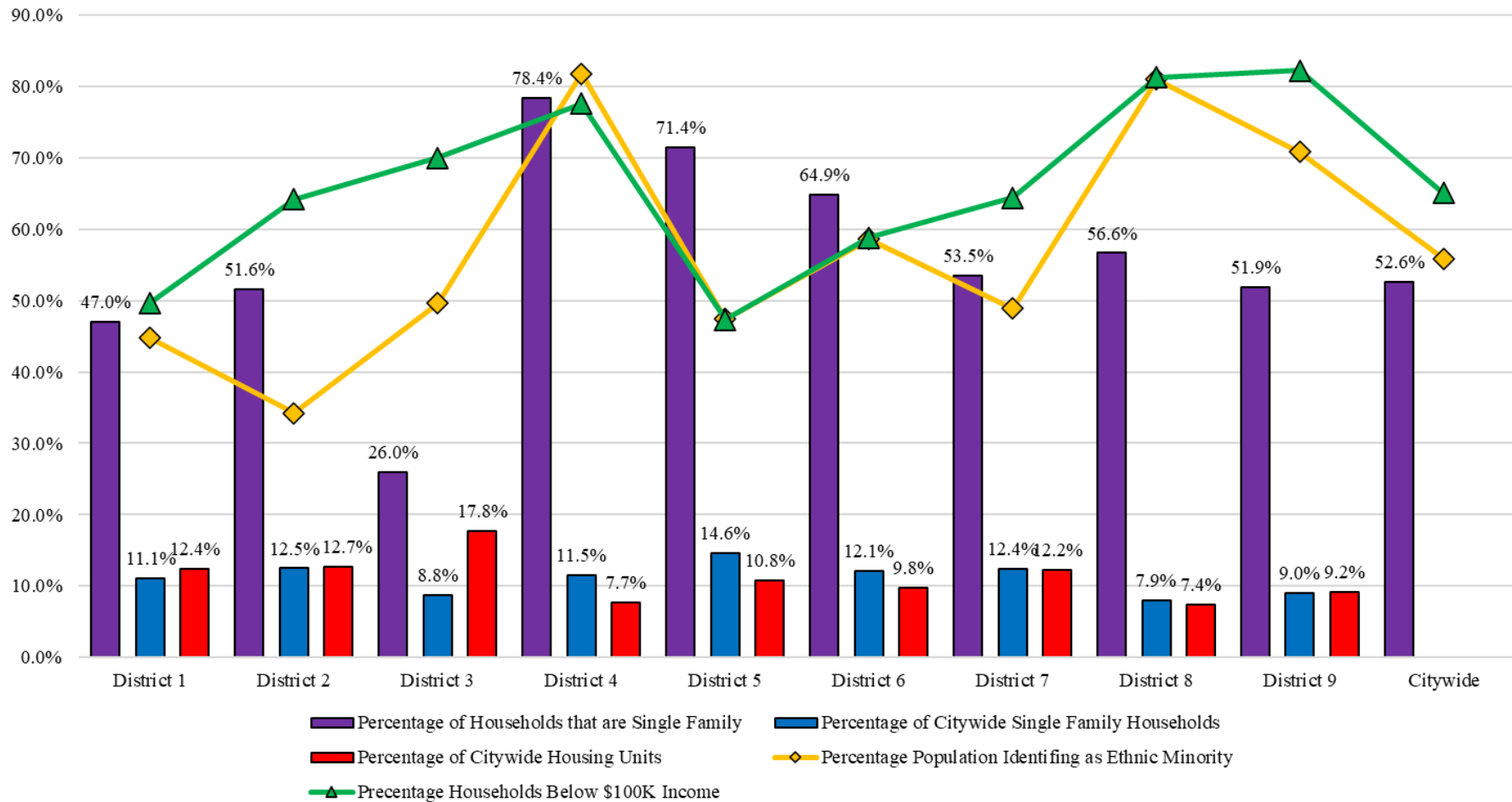
- While most single family homes receive collection services from the City, and most multifamily homes do not, actual residents receiving services does not map perfectly.
- Data sourced from the SANDAG Data Surfer (<https://datasurfer.sandag.org/>)
- Estimates may change when Census 2020 data is uploaded to the application.

Table 5	Housing Unit Information			
Council District	Single Family	Multifamily	Total Housing Units	Proportion Single Family
District 1	31,911	35,933	67,844	47.0%
District 2	35,819	33,571	69,390	51.6%
District 3	25,155	71,764	96,919	26.0%
District 4	33,044	9,095	42,139	78.4%
District 5	41,957	16,780	58,737	71.4%
District 6	34,727	18,799	53,526	64.9%
District 7	35,705	31,018	66,723	53.5%
District 8	22,770	17,431	40,201	56.6%
District 9	25,893	24,024	49,917	51.9%
Citywide	286,981	258,415	545,396	52.6%

Question 7

Generalized Demographic Data

Selected Housing, Income, and Ethnicity Data



Conclusion

Further considerations

- Amending the People's Ordinance would require voters to approve of an amendment to the Municipal Code through a ballot measure.
- After a successful ballot measure, staff would have to procure a consultant and begin a cost-of-service study and fee setting process, in line with Propositions 218 and 26 process for sewer and water fees.
- This process could potentially 24 months to complete before a new fee structure is developed and ready for Council approval.