



Finance Administration
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Council Finance Committee Meeting
February 2, 2023
Via Zoom

Council Attendees: Julie Pignataro, Emily Francis, Kelly Ohlson, Shirley Peel

Staff: Kelly DiMartino, Travis Storin, Tyler Marr, John Duval, Teresa, Roche, Terri Runyan, Ginny Sawyer, Sylvia Tatman-Burruss, Megan Valliere, Jen Poznanovic, Nina Bodenhamer, Blaine Dunn, Jo Cech, Randy Bailey, Renee Reeves, Gerry Paul, Lawrence Pollack, Dave Lenz, Sheena Freve, Josh Birks, Javier Echeverria Diaz, Rachel Rogers, Lindsay, Ex, Caroline Mitchell, Beth Rosen, Kira Beckham, Honore Depew, Dean Klingner, Victoria Shaw, Mike Calhoon, LeAnn Williams, Aaron Harris, Monica Martinez, Ian Smith, Kaley Zeisel, Drew Brooks Dave Lenz, Kerri Ishmael, Sheena Freve, Zack Mozer, Tracy Ochsner, Erik Martin, Brian Hergott, Jeff Rochford, Carolyn Koontz

Others: Jason Licon, Airport Director
Wade Troxell
Kirk Scramstad, Mark Houdashelt
Pat Ferrier, Coloradoan

Meeting called to order at 4:00 pm

Approval of minutes from the January 5, 2023, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented Kelly Ohlson seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. Trash Contracting Admin Fee & Potential Appropriations

Kira Beckham, Lead Specialist, Environmental Sustainability
Rachel Rogers, Senior Specialist, Economic Sustainability

SUBJECT FOR DISCUSSION Administrative Fee and request for appropriation in the amount of \$107,251 in 2023 from the General Fund for the Residential Solid Waste Collection Program.

EXECUTIVE SUMMARY

The purpose of this item is to seek feedback on the recommended Residential Solid Waste Collection Program administrative fee and to request an appropriation in the amount of \$107,251 from the General Fund to support the start-up phase of the program.

One of the adopted Council Priorities is to explore a contracted system for garbage, recycling, and compost collection for single family homes. On February 21, 2023, City staff will present a draft contract and Ordinance to City Council for First Reading. By passing the Ordinance, Council would create a new Residential Solid Waste Collection Program.

An administrative fee for the Residential Solid Waste Collection is proposed to defray City costs to run the program. An Administrative Fee Study was done to evaluate City program costs, the recommended fee range, and projected revenues. The recommended administrative fee is proposed to not exceed \$1.35 per household per month to ensure repayment during the contract term.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee have feedback about the recommended administrative fee of no greater than \$1.35/household/month?
2. Does Council Finance Committee have feedback about the appropriation request of \$107,251 from the General Fund in 2023 to support the start-up phase of the Residential Solid Waste Collection Program?

BACKGROUND/DISCUSSION

Fort Collins has adopted aggressive waste reduction goals, including working toward zero waste by 2030, and has identified a stagnant residential diversion rate as one of the challenges of making progress on that goal. Strategies to achieve zero waste are outlined in Our Climate Future, the combined waste, climate and energy plan for Fort Collins, which can be viewed at www.fcgov.com/climateaction/our-climate-future.

For decades, Fort Collins has utilized a licensed open market collection system. Licensing requires haulers to report the materials collected from all sectors of the community, which is used to calculate various diversion rates. In 2020, the Community Diversion Rate (including residential, commercial, and industrial materials) was 52% and the Residential Diversion Rate was 29%. Details of Fort Collins diversion rates can be found in the annual reports at www.fcgov.com/recycling/publications-resources.php.

To support increased waste diversion, one of the adopted Council Priorities is to explore a contracted system for garbage, recycling, and compost collection for single unit homes.

Changing to a contracted system could help achieve the following goals:

1. Reduce the number of trucks on residential streets and achieve street maintenance savings as well as increase safety in residential neighborhoods
2. Reduce greenhouse gas emissions
3. Increase diversion of recyclable materials and yard trimmings and encourage reuse of bulky items as much as possible
4. Provide equitable pricing throughout the community
5. Provide cost-effective pricing for collection services
6. Provide a high level of customer service

SCOPE

The contractor would provide these core services over a term of 5 years:

1. Solid Waste collection
2. Recyclable materials collection
3. Yard trimming collection
4. Bulky item collection
5. Billing
6. Customer Service

Services would be provided for all single unit residential housing and multi-family housing of seven units or fewer that use carts for collection. The following would not be included in the program:

- All commercial and industrial establishments and multi-unit housing containing eight (8) or more units.
- All households served by a dumpster.
- Homeowners' Associations with contracts for solid waste, recycling, and yard trimmings collection. These contracts must be effective before the effective date of the City's contract and comply with all applicable requirements of Chapter 12 and Chapter 15 of the City Code
- Residential units that have been granted a variance for shared service or excess producers as defined in Chapter 12 of the City Code

Residents that fall within this scope would be required to utilize the service or pay an opt-out fee equivalent to the service cost of the smallest trash cart size.

The City may provide billing service in future contracts, which would require a new evaluation of the City administrative fee and contractor pricing.

Key Milestones and Dates

- April 12, 2022 - Council Work Session
- April, June 2022 - Community Conversations
- July 12, 2022 - Council Work Session
- July 19, 2022 - City Council [passed a Resolution](#) directing City staff to proceed with developing a Request for Proposals (RFP) for a single hauler contracted system
- September 13, 2022 – City staff released a Request for Proposal (RFP)
- November 1, 2022 – Three haulers respond to RFP: Republic Services, Waste Management of Colorado, and Sweetman Sanitation
- November 28, 2022 – Hauler Interviews
- December 2022 through January 2022 – Contract Negotiations
- February 21, 2023 – Staff will present the draft contract and Ordinance for First Reading with Council at a regular meeting.
- March 7, 2023 – If adopted on First Reading, Second Reading would

By passing the ordinance in February, Council would create a new Solid Waste Collection Service Program. Service would expect to start 12-18 months after the contract was signed.

Administrative Fee Highlights

The proposed Residential Solid Waste Collection Program includes an Administrative Fee.

Cities imposing new fees are required to demonstrate a clear connection between program costs incurred by the City and the subject of the fee. The purpose of a fee is to defray the cost of providing a service to the community.

The Residential Solid Waste Collection Administrative Fee Study is attached for further details on anticipated revenues, costs, methodology, and peer community case studies.

Fee Components

To deliver on the City's role in administering the contract, there are four primary elements that are needed, see **Table 1**.

Table 1. City Roles in Administering the new Residential Solid Waste Collection Program (more details are included in the Administrative Fee Study):

Need	Key Activities
Program Management	Contract administration, performance reviews, transition support for community, grant management, lead contract renewals, staff supervision
Customer service	Answering questions from public, support billing escalation and tracking, ready customer service software/develop tools, records retention
Compliance	Investigate complaints, check HOA compliance, check variances, enforce contract and code, ready software/develop tools
Education, Outreach, and Program Support	Collateral review, community communications and education, HOA specific communications, recycling and yard waste education, program communications

To deliver on these roles, the following estimated costs include outreach and communication, tools and materials, and staffing. Peer communities shared that start-up and transition phases (end of one contract and start-up of a new contract) require a larger staffing level to ensure quality customer service, smooth transitions for residents, an effective and efficient purchasing process, and to communicate and educate the community on coming changes.

The estimates shown in the table below represent a summary of the range of anticipated program costs and number of full-time equivalent staff (FTE). A contingency of 5% has been added to overall costs to allow for inflation and unforeseen expenses. As negotiations are ongoing, these costs are being refined by the project team and may be updated in advance of the Council Finance Committee.

Table 2. Costs to the City for the new Residential Solid Waste Collection Program. Note: Transition expenses are included in these annualized expenses but are averaged over the contract term (when the City will receive revenue):

Cost description	Annual cost range (low) Assumes 2 FTE	Annual cost range (high) Assumes 4FTE
Outreach and communications	\$31k	\$31k
Tools and materials	\$59k	\$59k
Mileage	\$3k	\$3k
Staffing	\$243k	\$448k
Contingency	\$17k	\$27k
Total Cost	\$353k	\$568k

Methodology for Fee Calculation

Key drivers of the administrative fee necessary to break even within the 5-year contract term:

- The staffing level required to support the program.
- Repayment period
- Number of contributing households

Staffing: The transition from a licensed system (which requires less than 0.25 FTE) to a new contracted system will require additional resources, including staffing. **Table 2** includes the estimated need of 2 to 4 FTE.

Repayment period: The repayment period for the costs shown in Table 2 has been aligned with the contract term.

Number of contributing households: Staff has done extensive work to size the range of in-scope households. This includes GIS mapping and analysis and HOA identification. The number of households will be clear by the service start date but are modeled as a range based on best information available at this time.
Fee

Further clarity in the future: As the number of households and the necessary program costs become clear over time, the administrative fee may be adjusted to meet the goal of covering the program costs but not substantially accruing funds over time.

Recommended Fee Range

The estimated fee ranges from \$.65 to \$1.35. A conservative approach to the fee helps to minimize risk of a lower number of households being in-scope or higher program costs. **Table 3** below illustrates the range of administrative fee minimums.

Staff is recommending setting the administrative fee at \$1.35 per household per month, as this will allow revenue to cover anticipated program costs over the term of the contract. Staff will review all fee drivers at least annually and prior to service start date to determine if a change to the fee is warranted. Changes to the fee would require formal Council action by resolution or ordinance.

Table 3. Minimum administrative fee levels for different levels of staffing and numbers of households:

Admin Fee Minimums			
2023-2029 (5-yr contract + start-up)			
	Number of Households		
Staffing	35,500	40,500	45,500
2 FTE	\$0.85	\$0.75	\$0.65
4 FTE	\$1.35	\$1.20	\$1.05

Requested Appropriation

An appropriation of \$107,251 from the General Fund is requested to support the 2023 portion of the start-up phase of the Residential Solid Waste Collection Program. This appropriation amount supports both 2 FTE and 4 FTE scenarios modeled, as only 2 FTE are scheduled for program startup, i.e., additional staffing would be added after service starts. The funding appropriated for 2023 startup costs will be repaid from administrative fees once they begin to be collected ensuring that the City is not subsidizing the cost of this service.

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DISCUSSION / NEXT STEPS

Julie Pignataro; throughout this whole program, I have been so impressed with your department and your research and the way you have provided all information – Bravo. I am fine with both questions. Do we know what the price range is for a single-family home?

Trash Cart Size	% of Homes	Trash + Recycling Only				Trash + Recycling + Yard Trimmings				Trash + Recycling + Yard Trimmings + Bulky Items			
		Current		Contract		Current		Contract		Current		Contract	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
XS	0.5%	\$15.93	\$11.10	\$ (4.83)	-30%	\$33.10	\$11.10	\$ (22.00)	-66%	\$39.35	\$11.10	\$ (28.25)	-72%
Small	43%	\$18.18	\$12.85	\$ (5.33)	-29%	\$35.35	\$17.85	\$ (17.50)	-50%	\$41.18	\$17.85	\$ (23.33)	-57%
Med	41%	\$32.09	\$29.60	\$ (2.49)	-8%	\$49.26	\$34.60	\$ (14.66)	-30%	\$55.10	\$34.60	\$ (20.50)	-37%
Large	15%	\$42.32	\$46.35	\$ 4.03	10%	\$59.49	\$51.35	\$ (8.14)	-14%	\$65.33	\$51.35	\$ (13.98)	-21%
XL	n/a	n/a	\$96.60			n/a	\$101.60			n/a	\$101.60		

In an apples-to-apples comparison of services, the contracted price offers significant price savings for almost all households

	City's Contracted Hauling	Larimer County infrastructure contract
Company awarded	Republic	Republic
Scope of work	Residential hauling	Infrastructure construction and operation (landfill, transfer station, recycling center)
Length of contract	5 years from service start date	40 years (transfer station, recycle center) 100+ years (landfill)

The City's purchasing process for residential hauling is completely separate from the County's purchasing process for infrastructure construction and operation

Monthly Service price

- XS cart service (16 gallons): \$11.10
 - S cart service (35 gallons): \$17.85
 - M cart service (65 gallons): \$34.60
 - L cart service (95 gallons): \$51.35
 - XL cart service (2 x 95 gallons carts): \$101.60
(prices incl. City Admin Fee)
-
- Services included: trash, every-other-week recycling, yard trimmings, 2 bulky items / year
 - Service start date: 9/30/24
 - Contract length: 5 years from service start date
 - Opt-out fee: \$11.10 / month
 - Sustainable Vehicles: 1 EV, all new vehicles will run on natural gas from landfills etc.
 - Weekly recycling: available for \$1.25 more / mo (Council decision)
 - If opting out of yard trimmings: bill reduced \$5 / mo (except XS service)
 - Contractor provides billing and dedicated local customer service reps
 - HOAs w contracts that comply w Pay-As-You-Throw requirements exempted

Trash Cart Size	Admin fee	Trash + Recycle only		With Yard Trimmings	
		Contract Service price	Admin fee as percent of price	Contract Service price	Admin fee as percent of price
XS	1.35	\$11.10	12%	\$11.10	12%
Small	1.35	\$12.85	11%	\$17.85	8%
Med	1.35	\$29.60	5%	\$34.60	4%
Large	1.35	\$46.35	3%	\$51.35	3%
XL	1.35	\$96.60	1%	\$101.60	1%

Lindsay Ex; we just completed the contract a few hours ago – the background slides (see above) were created after the packets went out.

Julie Pignataro; are the fees on top of or included in these amounts?

Kira Beckham; the fees are included in those amounts.

Emily Francis; I am a yes to both of the questions in front of us. Such great work – the study and analysis. I think it is a nominal fee.

Kelly Ohlson; yes to both – I want to echo the quality of the work
1986 prices would most likely go down – these numbers presented exceeded my expectations.

Historically every staff member and consultants have agreed with me on the road to zero waste.
It was a compromise about the HOA thing, but the commitment was made by staff that HOAs would have to comply with the pay as you throw.

If there a commitment from staff that we will eliminate the gaming of the system – what happens is people get bigger carts for a cheaper price than the rest of Fort Collins. That flies in the face of the Climate and the Pay as You Throw programs and of the solid waste and recycling. Most HOAs receive bigger carts for a cheaper price. Do I have a commitment from the organization that you are serious about the compliance, and they will not be exempt from this program?

Kira Beckham; we are absolutely committed to compliance on the HOA front. If this is adopted, one of the first things we are going to tackle after our discussions with you in July is to look at existing contracts and making sure those are adjusted to accommodate the pay as you throw requirements.

I think you have staff's full commitment – across the board for HOAs.

Kelly Ohlson; this isn't easy work, but this is great work and I look forward to it coming to us.