



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

PUBLIC WORKS DEPARTMENT

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MEMORANDUM

TO: Public Works Committee

CC: Mayor Alan Hanks, Mayor
Dave Van Cleave, Interim Solid Waste Manager

FROM: Dirk Jablonski, Public Works Director

DATE: August 21, 2007

RE: Solid Waste Collection and Tipping Fees

The Solid Waste Task Force met several times to formulate a recommendation to the Public Works Committee a fee structure for solid waste collection service and the fees for disposal of waste at the landfill (tipping fees).

The following points are recommendations from the Task Force:

1. Cost of yard waste collection from the City operated roll-off sites is shifted from the garbage collection enterprise fund to the landfill enterprise fund. This will distribute the costs of yard waste disposal to all the users, not just those who use the City's collection service.
2. Landfill tipping fees are to be adjusted as described in this memorandum.
3. A financed collection truck fleet purchase will occur in 2012.
4. A cash collection truck fleet purchase will occur in 2017.
5. A new collection route is added in 2008.
6. Recommended minimum fund balance equals 15% of projected expenses.
7. Growth and cost assumptions are as follows:
 - 2% growth in accounts
 - 3.6 % consumer price index (CPI) increase
 - 3.6% expenses increase

Residential Garbage Collection Rate Recommendation

1. Residential rates are increased 12.7% in September, 2007.
2. Rates are then frozen until 2013.

Note: This will allow the fund balance to reach 93% of the recommended minimum amount at the end of 2008 and stay at or above that level through 2017.

Collection Rates

	Current Rates (2007)	Recommended Rates
95 Gallon	\$10.34	\$11.65
65 Gallon	\$8.66	\$9.76
35 Gallon	\$6.99	\$7.87
Senior Citizen Discount		
95 Gallon	\$8.27	\$9.31
65 Gallon	\$6.92	\$7.80
35 Gallon	\$5.58	\$6.29

Landfill and Recycling Fees for Collection Rates

Landfill and Recycling (MRF) fees increase from 2006 to 2011 due to the recommended increase in the tipping fee. In 2011, when the tipping fee stabilizes at \$58.00 per ton, the collection rates for disposal and recycling will become fixed until at least 2016.

The combined increase in collection and tipping fees will result in a net 18.2% residential collection rate increase. This is approximately \$2.78 per month for the typical residential account.

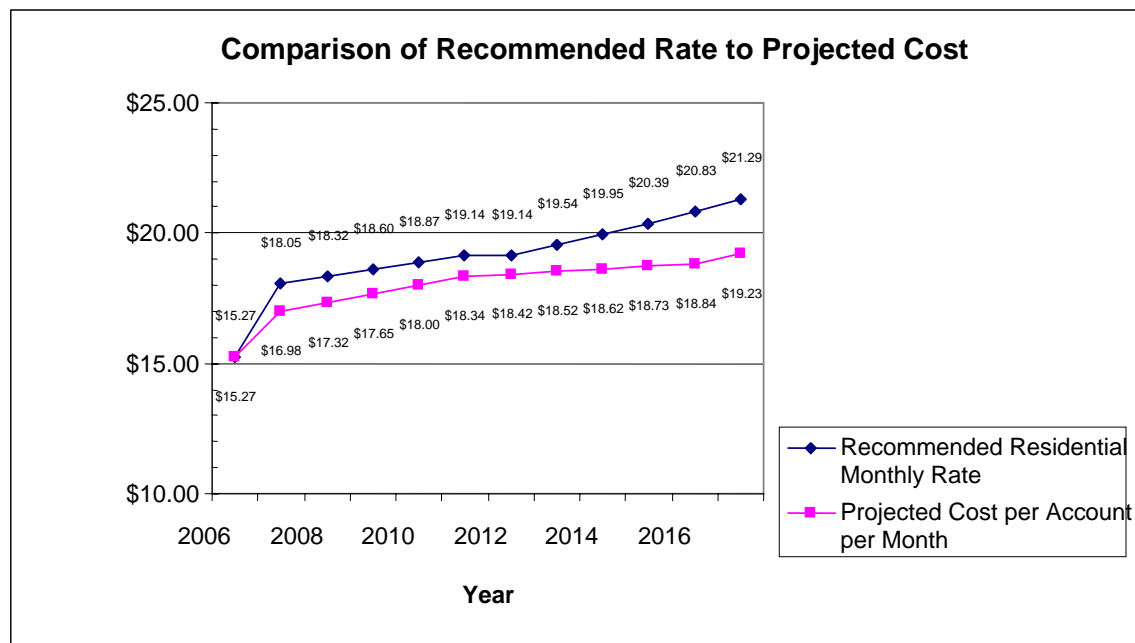
Fee Structure

Year	2006	2007	2008	2009	2010	2011
Collection Revenue (Avg. Monthly Fee)	\$9.01	\$10.51	\$10.51	\$10.51	\$10.51	\$10.51
Recycling	\$3.44	\$3.97	\$4.13	\$4.29	\$4.44	\$4.60
Landfill	\$1.88	\$2.43	\$2.53	\$2.63	\$2.72	\$2.82
State fee	\$0.08	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
Sales tax	\$0.86	\$1.01	\$1.03	\$1.05	\$1.06	\$1.08
Total Fee	\$15.27	\$18.05	\$18.32	\$18.60	\$18.87	\$19.14

2012	2013	2014	2015	2016	2017
\$10.51	\$10.89	\$11.28	\$11.68	\$12.11	\$12.54
\$4.60	\$4.60	\$4.60	\$4.60	\$4.60	\$4.60
\$2.82	\$2.82	\$2.82	\$2.82	\$2.82	\$2.82
\$0.13	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
\$1.08	\$1.10	\$1.12	\$1.15	\$1.17	\$1.20
\$19.14	\$19.54	\$19.95	\$20.38	\$20.83	\$21.29

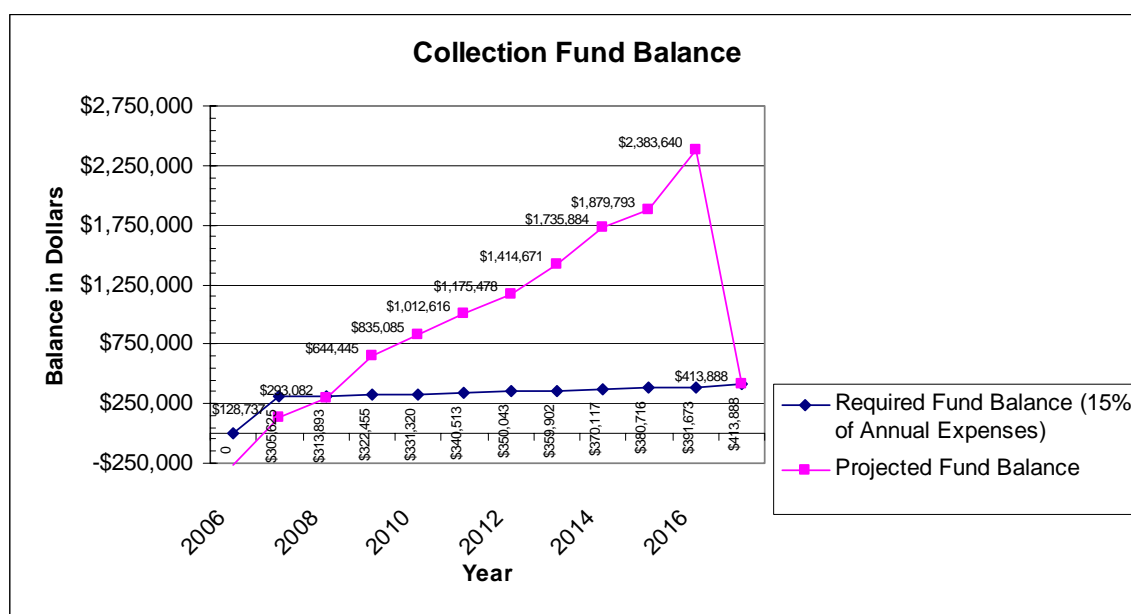
The recommended residential monthly fees were determined by adding the required fund balance and the projected expenditures divided by the projected number of accounts.

The rate is higher than projected costs to create a sinking fund for future collection truck fleet purchase, and to establish the required minimum fund balance.

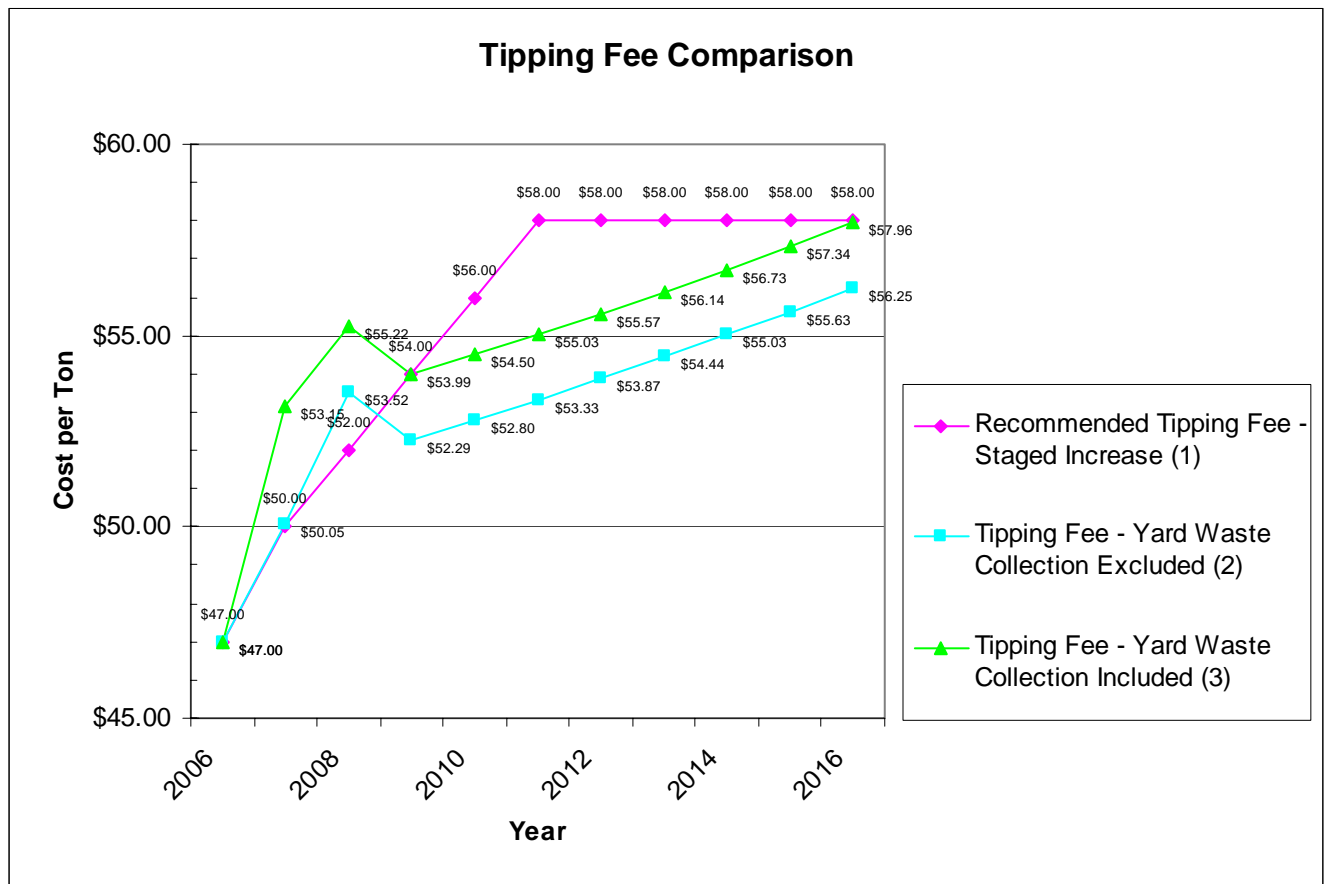


Fund Balance

The chart below shows the required collection fund balance (15% of the projected annual operating budget), and the projected collection fund balance after yard waste collection expenses are included in the landfill tipping fee.



Landfill Tipping Fee Comparison



(1) Recommended tipping fee schedule. Landfill tipping fee would increase to \$50.00 per ton in 2007, with additional automatic increases of \$2.00 per ton per year until 2011, when \$58.00 per ton is reached. This will create a negative cash flow for the landfill enterprise fund until 2009 after which cash flow will return to positive.

(2) Estimated annual expenditures for the landfill divided by the estimated annual revenue tonnage - yard waste collection expense paid by Rapid City residential collection customers.

(3) Estimated annual expenditures for the landfill divided by the estimated annual revenue tonnage - yard waste collection expense paid by landfill tipping fee .

Landfill Tipping Fee Increase

With the increase in the landfill tipping fee the pickup and car load disposal rates should also be raised as these charges are set independently by ordinance. City collection service customers would continue to have use of the landfill without additional charge. All others would pay according to the following schedule:

Pickup Load Rates

2007 raise to \$14.15 + 6% sales tax = \$15.00

2010 raise to \$18.87 + 6% sales tax = \$20.00

Car Load Rates

2007 raise to \$1.42 + 6% sales tax = \$1.50

2010 raise to \$1.89 + 6% sales tax = \$2.00

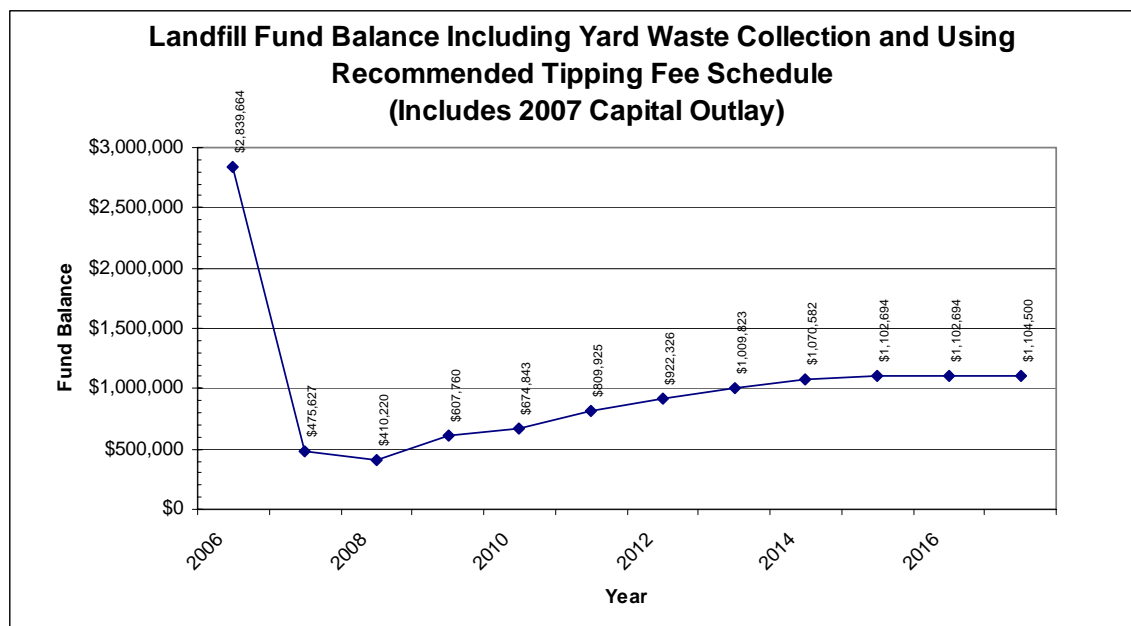
Rate for asbestos containing material (ACM) is also set independently by ordinance and should be raised to equal the tipping fee, with a minimum charge of three times the per ton rate.

Landfill Fund Balance

The chart below shows the landfill fund balance assuming the following:

1. 2007 capital outlay removed

2007 Budget includes	
Purchase of Auger Scraper	\$602,535 actual cost less trade
Purchase of Dozer	\$375,575 actual cost less trade
Purchase of Screen Plant	\$150,000
Construction of Litter Fencing	\$145,000
Remediation of Leachate Issue	\$600,000
Loan to Collection Fund	<u>\$357,000</u>
Total	\$2,230,110
2. Yard waste disposal costs included in the tipping fee.
3. The tipping fee follows the recommended schedule.
4. Last payment for current collection truck fleet is paid out of landfill fund in 2007. Collection fund pays back the landfill fund at 5% interest in 2008 and 2009.



Slightly higher fund balance may be appropriate for the landfill as there is the potential for environmental investigations and remediation projects.