

Requesting Departments:

Finance



**TO: HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH: BRUCE GARDNER, TOWN MANAGER**

**FROM: SCOTT MCCARTY, FINANCE DIRECTOR**

**RE:** Discussion and possible approval of 60-day Notice of Intention setting the time (6:30 P.M.) and the date (January 17, 2024) for the public hearing to amend the existing residential solid waste cart fee (for both the initial cost of carts for newly constructed homes charged at the time of the request for a single-family permit and replacement carts). The proposed fee is \$100 per cart, an increase from \$75 per cart.

**DATE: November 15, 2023**

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**Relevant Council Goal(s):**



Effective Government: KRA Financial Stability

**Proposed Motion:**

Move to approve the 60-day Notice of Intention setting the time (6:30 p.m.) and date (January 17, 2024) for the public hearing to amend the existing schedule of fees for residential solid waste carts (for both the initial cost of carts for newly constructed homes charged at the time of the request for a single-family permit and replacement carts) from \$75 to \$100 per cart.

**Discussion:**

Town staff has been working on the Utility Rate Study with the consultant and evaluating current fees in the Solid Waste Fund. Solid Waste and Recycling services are accounted for in an Enterprise Fund. Enterprise Funds operate similarly to a private business, where the costs of providing the services to the customer are recovered through user charges and fees. In accordance with the Town's Financial Policies, Enterprise fees shall be set to fully recover their respective operating costs. Town Code Section 10-9-13 Rates, Charges, Fees and Payment for Solid Waste specifies the Town Council, by resolution, may adopt, set or amend the fees, rates, payments, penalties and charges related to Article 10-9, which resolution shall be on file with the Town Clerk.

The Town currently charges \$75 for a trash cart and \$75 for a recycle cart for a total of \$150 at the time of the request for a single-family permit for a new house. The Town also charges \$75 when replacement of a cart is required because of something other than normal wear and tear.

The fee for the initial cost of the cart and replacement cart was established on April 21, 2012 through Resolution 899-12 at \$75. Cart revenue is primarily based on the number of single-family permits issued in a year. In FY 2022-23, the Town collected \$126K in cart fee revenue.

The Town has utilized Toter carts since the inception of the solid waste and recycling program in 2010. The Town uses a cooperative purchase agreement with Toter, LLC using the City of Tucson contract for trash and recycling cart purchases.

Most recently, on September 6, 2023, the Town Council approved a cooperative purchase agreement with Toter using the City of Tucson contract #226024-02. The cost per cart through Toter is dependent on market conditions and is about \$71 per cart currently.

Through the comprehensive review of solid waste fees as part of the utility rate study, staff has identified that the fee the Town is charging no longer covers the cost of the cart and other associated fees to deliver the cart to the service address. As such, Town staff recommends increasing the fee for new and replacement trash and recycling carts to achieve full cost recovery. The full cost recovery is recommended to be \$100 per the schedule below. This includes the purchase price of the cart, the cost to deliver the cart to the service address, and administrative costs. This represents an increase of \$25 per cart.

<b>Fee Component</b>	<b>Current Fee</b>	<b>Recommended Fee</b>	<b>Increase</b>
Purchase Price of Cart (Paid to Provider)	\$56	\$74	\$18
Cart Delivery / Removal at Service Address (Paid to Provider)	\$15	\$17	\$2
Administrative Fee	<u>\$4</u>	<u>\$9</u>	<u>\$5</u>
<b>Total Fee</b>	<b>\$75</b>	<b>\$100</b>	<b>\$25</b>

In order to increase the fee for new and replacement trash and recycling carts, the Town must follow a two-step process outlined in Chapter 9-499.15 of the Arizona Revised Statutes. Step one, provide a written public notice for 60 days regarding the intent to increase the fee and include data that supports the proposed fee. Step two, after the 60-day notice period, hold a public hearing to increase the fee.

The Notice of Intention (step 1 of 2) provides written notice of the proposed fee and sets the public hearing date. If approved, a copy of the notice of the proposed increase will be posted on the home page of the Town's website at least sixty days before the public hearing date as required. In this case, the date for the public hearing is scheduled for January 17, 2024 (step 2 of 2). The new fee can then be applied 30 days after adoption

of the resolution, which would be February 17, 2024.

This process and calendar is shown in the schedule below.

Date	Activity
November 15th	Town Council Discussion and Possible Approval of 60-Day Notice of Intention to Amend the Existing Fee for Solid Waste New and Replacement Carts
November 16 – January 14	60-Day Notice Period
January 17th	Town Council Public Hearing and Possible Adoption of a Resolution Amending the Fee for New and Replacement Carts
February 17th	\$100 Fee for New and Replacement Carts Becomes Effective (if Approved)

**Fiscal Impact:**

The annual revenue increase will depend upon the number of carts purchased, mainly as a result of new, single-family homes constructed. Assuming that number is 1,000 in a fiscal year, with two carts per house, the annual revenue increase would be \$50,000 as shown in the schedule below.

Fee Increase per Cart	\$25
Number of Carts per Single-Family Home	2
Fee Increase per Single-Family Home	\$50
Estimated Number of New Homes in a Fiscal Year	1,000
Revenue Increase from Fee Increase	\$50,000

**Alternatives:**

The Solid Waste and Recycling services is accounted for in an Enterprise Fund. The intent of the Enterprise Fund is to recover all expenses through rates and fees. As such, if these cost increases related to the carts are not recovered from the cart fee created to do so, the difference will come from the monthly rates. Using the example above of 2,000 new carts related to new, single-family homes, this means a shortfall of \$50,000 would come from rates. For FY 2022-23, revenues from monthly bills generated was \$4.4M. As such, this represents 1% of that amount.

**Attachments:**

1. Notice of Intention to Increase the Cart Fee
2. New and Replacement Solid Waste Cart Cost Analysis
3. Presentation