



May 31, 2022

TO: Council President  
City Council Members

FROM: Jeff Baumann, Public Works Director

CC: Council Appointees

THROUGH: Rob Hillard, City Manager

SUBJECT: Recommendations to Amend C.O. 925.07 (b) - Commercial Refuse Rates and  
C.O. 925.08 – Dumpster Service in Central Business District

### **Purpose and Recommendation**

Comparison of commercial refuse revenues and commercial refuse expenditures in the preparation of the 2022 Solid Waste Enterprise Fund budget demonstrates that revenues are not meeting expenses. Staff recommends increasing the commercial refuse rates codified at 925.07(b) in order to maintain Fund solvency.

To improve fairness in the distribution of costs for our shared dumpster customers in the Downtown District, staff recommends improving the existing table and its cost distribution basis by adding definitions and establishing a ‘base rate’ equal to the commercial rate for a 2 cubic yard dumpster. Fees are scaled from 50% of the base rate to 300% of the base rate depending on the type and size of the business.

These recommendations are supported by the Public Works Department’s May 19, 2022 ‘*Commercial Refuse Rate Analysis and Recommendation & Central Business District Rate Structure Analysis and Recommendation*’, hereinafter “**Analysis**”, attached.

### **Background and Discussion**

#### **Commercial Refuse Rates.**

The Public Works and Finance Departments work together each year to update the 5-Year budget for the Solid Waste Enterprise Fund. To calculate the Residential Rate and to evaluate Commercial Rates, we compare residential revenues to residential expenditures and, similarly, commercial revenues to commercial expenses. It is not necessary to conduct a detailed analysis annually since service levels and their corresponding revenues and expenditures typically do not change significantly from year to year. These analyses have been developed approximately every 3 to 5 years usually in conjunction with budget preparation.

To evaluate the necessary rate increases required to balance commercial services accounting, Finance Director Sal Talarico and I modeled revenues and expenses through the Refuse Multi-Year Budget to develop the staff recommendation to increase commercial refuse rates by 10% on (or about) July 1, 2022; by 10% on January 1, 2023; and by 2.25% each January 1<sup>st</sup> thereafter. The proposed revised rate table is excerpted below:

Per Service Commencing on:				
Container Size	January 1, 2022	July 1, 2022	January 1, 2023	January 1, 2024
96 gallon	\$15.00	\$16.50	\$18.15	\$18.56
2 cubic yard	\$18.38	\$20.22	\$22.24	\$22.74
4 cubic yard	\$30.80	\$33.88	\$37.27	\$38.11
6 cubic yard	\$43.22	\$47.54	\$52.30	\$53.47
8 cubic yard	\$53.65	\$59.02	\$64.92	\$66.38

The last increase was effective on January 1, 2017 which enacted the rates shown above in the January 1, 2022 column. The **Analysis** demonstrates that an annual rate increase of 2.25% per year beginning on January 1, 2018 would have generated the same level of revenue at the end of the 5-year planning period (in 2026) as these proposed increases will generate.

Staff further recommends amending 925.07(b)(4) and (b)(5) as follows:

- (4) Customers whose service is less than one cubic yard and where a dumpster is not required shall be provided with a 96-gallon refuse collection cart. ~~The basic commercial service fee for a 96-gallon cart shall be fifteen dollars and 00/100 (\$15.00) per month. Each additional commercial service shall be charged at the rate of fifty percent (50%) of the basic commercial service charge.~~
- (5) Commencing January 1, 2024 and on January 1<sup>st</sup> of each year thereafter, commercial rates shall be increased by 2.25%. ~~The commercial rates shall be increased upon the recommendation of the Public Works Director, the City Manager and the Finance Director with the approval of Oberlin City Council.~~

These increases are required to maintain a balanced commercial refuse services budget including the necessary cash flow to replace (3) of our (5) trucks by 2026. All of our trucks were purchased in 2014 (following the fire) and are expected to need replacement in this timeframe.

**Central Business District Rate Structure.**

Commercial refuse rates for customers in the Central Business District are based on the commercial rates codified at 925.07(b), see table above.

Refuse (and recycling) collection services to most, but not all, businesses in the Central Business District (CBD) are provided through the use of shared dumpsters. For shared dumpster customers, the application of this rate table is determined by C.O. 925.08, excerpted below:

**925.08 DUMPSTER SERVICE IN CENTRAL BUSINESS DISTRICT.**

(a) The City shall make available sufficient dumpsters to provide refuse service in the downtown district for businesses, offices, and apartments that have not individually contracted for refuse service.

(b) Businesses, offices and apartment units making use of these dumpsters shall be charged as follows:

Apartments	Twice the basic residential service rate.
Small retail and small professional	Commercial rate for a 1.5-yard dumpster serviced once per week.
Medium professional services (office with more than 3 persons)	Commercial rate for a 2-yard dumpster serviced once per week.
Medium retail	Commercial rate for a 3-yard dumpster serviced once per week.
Large retail	Commercial rate for a 4-yard dumpster serviced once per week.
Restaurants	Commercial rate for a 6-yard dumpster serviced once per week.
Restaurants with bar	Commercial rate for an 8-yard dumpster serviced once per week.

This fee structure was enacted by Ordinance 00-14, effective April, 2000. It's my understanding that this system was created to address the physical constraints of the Central Business District since there is not adequate room to provide individual refuse (and recycling) collection containers for every business and occupancy.

From time to time, customers have questioned this system. Since the rate structure was adopted by City Council, it is legal - but not everyone perceives it as fair. Public Works has been evaluating this system for over a year during which we discovered several outstanding issues:

1. Definitions (or lack thereof) of the various use groups
2. Perceived fairness of the rate structure
3. Applicability of the specific language at 925.08(a), "...that have not individually contracted for refuse service."
4. Illegal dumping
5. Billing continuity through Change of Occupancy
6. Inability to bill certain shared use accounts
7. Anomalies.

Please see the **Analysis**, pages 8 -12, for a review of each of these issues.

Based on the Commercial Services Revenue/Expense Analysis, Public Works prepared a similar analysis specific to the Central Business District. We determined that "the City's income from and cost to provide shared dumpster service in the Central Business District are not significantly out of balance. Therefore the key task is to make sure that the costs to our CBD shared use customers are distributed as fairly as possible through the rate structure."

The **Analysis** reviews three options:

1. Modify and Improve the Existing Rate Structure (pages 15-17)
2. Develop and Implement Square-Foot based Refuse Rate Structure billed to Property Owners (pages 18-20)
3. Privatize Service (page 21)

Each option has Advantages and Disadvantages, reviewed in each section. As a result of the **Analysis**, the Public Works Department believes that modifying and improving the Existing Rate Structure is the best option to achieve fair distribution of costs among all of our customers.

Public Works, along with Law Director Jon Clark, has developed definitions in new sub-section 925.08(b) and revised the table to create a more fair and transparent basis for the billing schedule. Since we do not have the ability to measure waste from individual businesses, the type of use is considered a facsimile for the waste stream. Uses are further sorted by size, quantified in different ways. Office and Service uses are categorized according to the number of full-time equivalent persons working at that business. Retail businesses are categorized according to the square footage of the business. Restaurants are categorized by seating. Please see Exhibit A.

Staff has also developed a methodology to offer a credit or rebate to food service businesses in the Downtown District participating in the food waste compost program. To simplify the administrative burden, this is expected to be done on an annual basis.

### **Fiscal Impact**

The 5-Year planning budget for the Solid Waste Enterprise Fund and the **Analysis** demonstrate that commercial revenues are no longer keeping pace with commercial expenses. The proposed rate increases provide for a balanced budget, meet the City's Cash Reserve Guidelines for Enterprise Funds and plan ahead for necessary equipment replacement. The proposed commercial rate increases apply to all of our commercial customers, including those in the Downtown District under the proposed amended structure.

### **Consultation**

City Manager Rob Hillard worked with Finance Director Sal Talarico and me on the preparation of the 2022 budget and has been tracking progress on the **Analysis** throughout. I worked closely with Sal to evaluate revenues and expenses and to project the proposed rate increases. I'd like to thank my Administrative Coordinator Sheri Runals and Finance Assistant Heather Clawson for helping with background information about downtown businesses and for accessing information in the CMI billing software. Law Director Jon Clark and I worked together to develop Exhibit A, the proposed amendments to sections 925.07 and 925.08, to reflect the analyses.

The City's Resource Conservation and Recovery Commission reviewed the first draft of the 'Central Business District Rate Structure Analysis' at their March 28<sup>th</sup> meeting. They reviewed the final draft of the CBD rate analysis and the proposed Commercial Rate increases at their May 23<sup>rd</sup> meeting. Their review will continue at their June 27<sup>th</sup> meeting, presumably between City Council's 2<sup>nd</sup> and 3<sup>rd</sup> reading of the authorizing legislation.

After this information has been presented to City Council for 1<sup>st</sup> reading, the Public Works Department will share its **Analysis** and recommendations with our commercial customers.

**Conclusion**

The Public Works Department recommends the proposed commercial rate increases necessary to maintain the financial solvency of the Solid Waste Enterprise Fund. The Public Works Department recommends the proposed modifications to the Downtown District billing system as the best option to provide a fair and transparent billing system to our shared use customers. I look forward to discussing these important issues with City Council.

Please let me know if there are any questions in advance.