

Residential Solid Waste Collection Program
Administrative Fee Study
City of Fort Collins, Colorado

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Executive Summary

This fee study evaluates City program costs, the recommended administrative fee range, and projected revenues. Further clarity will develop about the number of households that would be contributing to the administrative fee, as well as the program needs. The initial administrative fee recommendation is \$1.35 per household. This administrative fee will be adjusted if necessary as additional information comes available.

To support Program startup, an appropriation will be requested in 2023 for \$107,251.

Study Overview

The City of Fort Collins is considering shifting to a contracted hauling system, which would create a Residential Solid Waste Collection Program. This fee study outlines the approach, components, and calculations, as well as projected revenue for an administrative fee to fund the costs incurred by the City to support and operate the Program. The study also provides case studies from peer communities that have a contracted system for solid waste collection.

Approach

To determine the appropriate amount for an administrative fee, staff gathered information on City costs to administer and support the program and researched similar programs implemented in other cities.

Fee Components

This study included the estimated costs to the City for:

1. Outreach and communication
2. Software and other tools
3. Staffing
4. Mileage

Fee Calculation & Supported Fee Levels

The administrative fee formula calculates a monthly fee based on estimated total cost to the City, divided among the total volume of projected households, and repayment within the 5-year contract term:

$$\text{Transition \& Service Period Program Costs} / \text{Number of residential units contributing} / 60 \text{ months} \\ = \text{administrative fee per residential unit per month}$$

Using this approach, the fee supported could range from \$.65-1.35 per month per household.

Residential Solid Waste Collection Program

The City of Fort Collins currently operates under a licensed, open market collection system. Fort Collins wishes to build upon the existing program by adding contracted collection for households. Fort Collins City Council has expressed support for exploring a contracted system to help achieve the following goals:

- Reduce the number of trucks on residential streets and achieve street maintenance savings as well as increase safety in residential neighborhoods
- Reduce greenhouse gas emissions
- Increase diversion of Recyclable Materials and Yard Trimmings and encourage reuse of Bulky Items as much as possible
- Provide equitable pricing throughout the community
- Provide cost-effective pricing for Collection Services
- Provide a high level of customer service

If Fort Collins City Council adopts the contract and related ordinance, a new Residential Solid Waste Collection Program (Program) would be created, to which the administrative fee revenue would be applied. City Council is anticipated to consider contract and ordinance adoption via First Reading on February 21, 2023, and Second Reading on March 7, 2023. The contract and ordinance would become effective two weeks after adoption. The contracted service to residents would start September 30, 2024.

For purposes of this fee study, the time between contract adoption and service start is considered the Transition Period. The time that the hauler is providing collection service is considered the Service Period.

The hauler would provide the following services through the contract:

- Solid waste collection
- Recyclable materials collection
- Yard trimmings collection
- Bulky items collection
- Customer service
- Billing

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

Fee Calculation

Fee Study Context

Cities imposing new fees are required to demonstrate a clear nexus between program costs incurred by the City and the subject of the fee, in this case the Residential Solid Waste Collection Service Program. The purpose of a fee is to defray the cost of providing a service to the community.

Methodology

This fee study was conducted internally by the Environmental Sustainability Lead Specialist and the Sustainability Services Senior Financial Analyst. It applies assumptions about Program costs based on the contract and transition plan as well as leveraging fee examples from other peer communities.

Key takeaways from the fee study include:

- Direct and indirect costs include conducting a competitive purchasing process, program management, customer service, compliance/enforcement, acquiring and implementing software and other tools, process development, and developing and implementing education and outreach
- Key drivers for the administrative fee cost are the level of staffing, repayment period and number of contributing households
- Program costs begin in the Transition Period in 2023 and carry on through the 5- year Service Period that begins September 30, 2024
- Revenues begin in the fourth quarter of 2024
- Based on the assumptions outlined within the study, the estimated fee ranges from \$0.65 to \$1.35 per household per month and staff recommends establishing a fee not to exceed \$1.35 per month per household to ensure repayment within the 5-year Service Period term
- Program costs are anticipated to be higher in the Transition Period and in year five of the Service Period as staff supports another competitive purchasing process to develop the next contract
- Peer community research confirmed the direct and indirect costs of administering the Program

Related Program costs were aggregated to include both the low- and high-end estimates. This provided the range to use as a numerator for the fee calculation below:

$$\frac{\text{Transition \& Service Period Program Costs}}{\text{Number of residential units contributing} / 60 \text{ months}} = \text{administrative fee per residential unit per month}$$

Program Costs

Program costs will begin in the Transition Period and will continue through the Service Period. City staff are requesting an appropriation for the Program costs incurred during the Transition Period, which would be repaid to the City during the five years of the Service Period.

The estimates shown in **Figure 1** 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.

Figure 1. Costs to the City for the new Residential Solid Waste Collection Program:

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

The activities anticipated to be needed to support the Program include:

- Program Administration
 - Administration of the Program and administrative activities to manage the contract
- Transition Period Support
 - Ensure continuity of service and high levels of customer service through support, coordination, and planning with the contractor during the Transition Period
- Education and Outreach
 - Development and implementation of web site content and campaigns to engage with and educate residents and HOAs about the Program
 - Educate about placing the correct materials in recycling and yard trimmings bins
- Compliance
 - Developing the compliance plan
 - Conducting enforcement of requirements in the contract and municipal code requirements for both the contractor and the residents
 - Verify eligibility of variance applications
 - Verify compliance with existing requirements for HOAs with existing contracts that would be excluded from the Program
 - Potentially conduct compliance with customers who opt out of the Program
- Customer Service
 - Addressing any customer service or billing escalations that are not resolved by the contractor in a timely or satisfactory manner

- Software and tools
 - Purchase, development or implementation of tools, processes, and procedures to efficiently administer, track and provide customer service, enforce compliance, and manage the program

Projected Fee Revenues

Administrative fee revenues are based on the number of residential units contributing. City staff has done extensive work to size the range of in-scope households, including GIS mapping and analysis and identifying which homes are in HOAs with trash and recycling contracts. The number of residential units will be clear by the Service Period but are modeled as a range based on best information available at this time. The number of residential units modeled are:

- 35,500
- 40,500
- 45,500

The recommended administrative fee range accounts for the range of anticipated Program costs as well as the range of residential units contributing. As the number of residential units 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.

Figures 2 and 3 show the fee amount that allows for a break-even scenario for different numbers of residential units contributing. The “break even” amounts are highlighted in green.

Figure 2: Fee amounts required to fund the low range of Program costs depending on the number of residential units contributing; this includes startup and transition funds but is limited to the five-year contract term when revenue will be collected

Net Revenue/(Expense) 5-yr

2 FTE Admin Fee	Households		
	35,500	40,500	45,500
\$0.60	(\$97,135)	(\$61,135)	(\$25,135)
\$0.65	(\$75,835)	(\$36,835)	\$2,165
\$0.70	(\$54,535)	(\$12,535)	\$29,465
\$0.75	(\$33,235)	\$11,765	\$56,765
\$0.80	(\$11,935)	\$36,065	\$84,065
\$0.85	\$9,365	\$60,365	\$111,365
\$0.90	\$30,665	\$84,665	\$138,665
\$0.95	\$51,965	\$108,965	\$165,965
\$1.00	\$73,265	\$133,265	\$193,265

Figure 3: Fee amounts required to fund the high range of Program costs depending on the number of residential units contributing; this includes startup and transition funds but is limited to the five-year contract term when revenue will be collected

Net Revenue/(Expense) 5-yr

4 FTE Admin Fee	Households		
	35,500	40,500	45,500
\$0.60	(\$312,148)	(\$276,148)	(\$240,148)
\$0.65	(\$290,848)	(\$251,848)	(\$212,848)
\$0.70	(\$269,548)	(\$227,548)	(\$185,548)
\$0.75	(\$248,248)	(\$203,248)	(\$158,248)
\$0.80	(\$226,948)	(\$178,948)	(\$130,948)
\$0.85	(\$205,648)	(\$154,648)	(\$103,648)
\$0.90	(\$184,348)	(\$130,348)	(\$76,348)
\$0.95	(\$163,048)	(\$106,048)	(\$49,048)
\$1.00	(\$141,748)	(\$81,748)	(\$21,748)
\$1.05	(\$120,448)	(\$57,448)	\$5,552
\$1.10	(\$99,148)	(\$33,148)	\$32,852
\$1.15	(\$77,848)	(\$8,848)	\$60,152
\$1.20	(\$56,548)	\$15,452	\$87,452
\$1.25	(\$35,248)	\$39,752	\$114,752
\$1.30	(\$13,948)	\$64,052	\$142,052
\$1.35	\$7,352	\$88,352	\$169,352
\$1.40	\$28,652	\$112,652	\$196,652
\$1.45	\$49,952	\$136,952	\$223,952
\$1.50	\$71,252	\$161,252	\$251,252

Recommended Fee Range

The estimated fee range to cover the Program costs that take into consideration the low and high estimations of Program costs and number of contributing residential units ranges from \$.65 to \$1.35.

Figure 4 illustrates the range of administrative fees based on different Program costs and number of contributing residential units

Figure 4: Range of administrative fee amounts for low and high Program cost and revenue

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

Start-up Appropriation

Appropriation Context

As revenue would not begin until service commences in September of 2024, funds are needed up front to support the City’s role in the transition from a hauler licensing system to a contracted system.

Methodology

Staff identified key startup needs to ensure a smooth transition, including customer service, communications and outreach, customer service and compliance software, and mileage costs for compliance. To deliver on these needs, 2 FTE (Program Manager and additional staff member depending on which scenario is selected) will be needed in the startup phase to ensure a smooth transition; staffing needs will be refined as negotiations are finalized and the administrative fee is set.

As with the fee calculation methodology, a 5% contingency has been added to all cost estimates.

Recommended Appropriation

Based on these needs, \$107,251 will be requested with First Reading for an Appropriation in 2023; see details in **Figure 5**. With service commencing in September 2024, staff has also developed initial estimates for a 2024 appropriation, which will be refined in 2023 and requested through the mid-cycle appropriations in Q4 of 2023. The appropriation is included in the overall fee model and will be repaid to the City in full during the contract term.

Figure 5: Start-up appropriation costs for the requested appropriation in 2023 and the estimates for 2024; note that 2024 planning column includes estimates for the higher administrative fee

Personnel	2023 Appropriation	2024 Planning
Expenses		
Personnel	\$43,726	\$206,180
Programmatic expenses		
Item 1 - Outreach and engagement	\$37,275	\$37,590
Item 2 - Tools and Materials	\$26,250	\$47,250
Item 3 - Mileage	\$0	\$2,625
<i>Subtotal of Programmatic Expenses</i>	\$63,525	\$87,465
Total Expense	\$107,251	\$293,645
Appropriation 2023	\$107,251	\$293,645

Peer Community Case Studies

Golden and Lafayette were identified as peer communities for the following reasons:

- They are both in Colorado and so operate under the same state regulations as Fort Collins
- They both have a contracted system for solid waste collection
- They both offer services similar to those anticipated to be offered in Fort Collins

Key differences between Golden and Lafayette and the City of Fort Collins that were accounted for in the analysis include:

- They have fewer households than Fort Collins
 - Their information as converted to a per household equivalent for apples-to-apples comparison
- They provide billing services, whereas Fort Collins plans on the contractor providing billing
 - The number of FTE was adjusted to not include those dedicated to billing

Figure 6 illustrates the information gathered about Golden and Lafayette and includes the number of FTE extrapolated out to match the number of households in Fort Collins. This fee study is not recommending staffing at the levels represented in **Figure 6**, but it is shown for context.

Figure 6: Information about Golden and Lafayette and the equivalent number of FTE extrapolated to align with the number of households in Fort Collins

	Golden	Lafayette
Administrative Fee	N/A	\$.70, increasing to \$.90 (2023) Needs \$1.20
# of Households	4,500	7k increasing to 11k (2023)*
FTE (not inclusive of billing)	1	2
Equivalent FTE for Fort Collins (40k households)	8-10	7-9

* Lafayette is adding 4,000 households into their program in 2023

Learnings from peer community interviews:

- Each city understaffed initially and are seeking to add staff now
- The start-up year created a heavy workload due to management of the transition, customer service support, and collateral review
- The workload is also higher in the final year of a contract term as staff conducts a competitive purchasing process