

Determining Your Cost of Service: What it Can Do For You

City of Albuquerque
Solid Waste Mgmt Dept

Jill Holbert

Financial Consultant

Chris Bell

ALBUQUERQUEGREEN

ALBUQUERQUE AT-A-GLANCE

- 505,578— **Population**
- 172,878— **Single-family households**
- \$44,103— **Median household income**
- \$65 mil— **SWMD FY/11 Budget**
- 427— **SWMD FTEs**

Current Solid Waste Department Operations



Cerro Colorado

- Landfill
- Compost Site
- Recycling Processing Facility



3 Convenience Centers

- Eagle Rock
- Montessa Park
- Don Reservoir



Collections

- 175,000 Homes
- 14,190 Businesses

Current Solid Waste Department Operations



Weed Removal & Litter Control



Graffiti Removal



Drop - Off Recycling

Background

- Development of *Solid Waste Plan* – Albuquerque’s first
- “Albuquerque Green” Program
 - environmental protection & conservation
- 2002 City Council Policy
 - supports waste reduction & recycling
- Waste Diversion Goals
 - “No Landfilling by 2030”
 - waste = resource
 - emphasizes diversion (waste reduction & recycling), not disposal

Weaknesses of the System

- **Underfunded** – Infrequent rate increases
- **Significant equipment replacement costs**
- **Trash rates do not encourage recycling**
- **Limited Processing Capacity**



Past Rate Setting Methodology

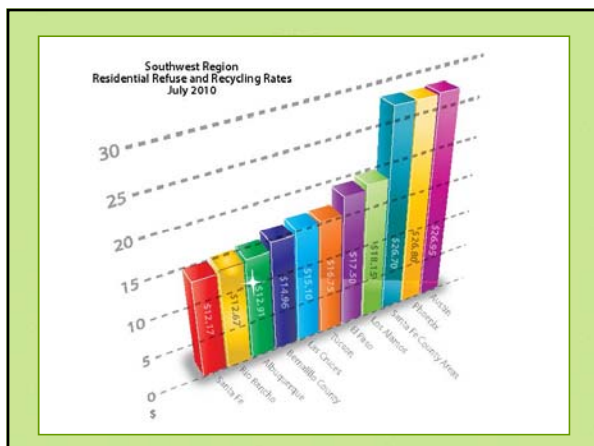
- Setting service fees is a political process
- In Albuquerque the process was undefined
- Past increases were allocated over the rate as a straight percentage

Rate Setting Methodology (con't)

- **Current rates:**
 - significantly underfund equipment / facility replacement, disposal, and Clean City
 - do not reflect actual costs—many undercharged, some overcharged, some highly subsidized
 - should fully fund landfill disposal, cell development, closure and post-closure care from internal and external customers
- **Resulting in:**
 - unsustainable operation
 - older fleet and increased maintenance costs
 - increased breakdowns and overtime
 - some inequitable and subsidized service fees
- **Cost study rate fully funds current operating, disposal, recycling, processing, overhead, equipment replacement, and Clean City**

Residential Rates

	Current Rate	New Rate	Increase	% Increase
Base Rate	\$ 8.18	\$ 8.18	\$ -	-
Clean Cities	\$ -	\$ 1.95	\$ 1.95	100%
Recycling	\$ 1.89	\$ 1.95	\$ 0.06	3%
Environmental Fees	\$ 0.68	\$ 0.83	\$ 0.15	22%
Total	\$ 10.75	\$ 12.91	\$ 2.16	20%



Landfill Costs and Rates

Estimated FY 2010 SW Tons: 537,533

	Cost per Ton
Operations and Overhead	\$ 13.86
Equipment Replacement	\$ 1.74
Cell Development	\$ 2.03
Closure and Post Closure Costs	\$ 0.55
Total Disposal Cost per Ton	\$ 18.17
Current Rate	\$ 28.55
w/ 5% increase	\$ 29.98
New Rate (rounded)	\$ 30.00

City of Albuquerque
Projected Recycle Program Costs

Line#	Line Item Description	Projected Costs	% of Dir. Costs	Current
Current				
	Labor Hours			45,488
	Drivers			18
	Route Hours			35,549
Cost per hour				
1	Wages - Route Drivers	856,483	22%	20,641
2	Payroll Tax Expense	71,759	2%	1,561
3	Medical Insurance	120,708	3%	2,851
4	Pension Plan Expense	148,902	3%	3,223
5	Other Benefits	35,007	1%	877
6	Training and Worker Safety	-	0%	-
7	Fuel	174,439	4%	4,911
8	Repairs & Maintenance - Vehicles	189,000	5%	5,901
9	Depreciation - Vehicles & Carts	-	0%	-
10	Allocated Equipment Debt	269,804	7%	7,591
11	Supplies	141,494	3%	3,398
12	Other Operational Expenses	822	0%	0.02
13	Misc. Expense	10,000	0%	0.28
14	Allocated Vehicle Maint	225,627	5%	6.35
15	Processing of Recyclables	1,658,861	31%	48,655
16	Allocated SW Division Admin	225,627	5%	6.35
17	Allocated Admin	122,115	3%	3.44
18	Allocated Clean City & Grants	-	0%	-
19	Allocated Convenience Centers	-	0%	-
20	TOTAL - SUMMARY DIRECT COSTS	4,340,498	100%	114.04
	Labor Expense	1,312,908	29.8%	
	Truck Expense	1,020,968	23.7%	
	Processing of Recyclables	1,658,861	38.2%	
	Admin, Programs, & Allocated Expenses	347,741	8.0%	
	Total	4,340,498	100.0%	114.04
	Direct Costs Check Totals (tbl 0)	\$ -	0	
	Reported Cost per Customer per Month	\$ 2.89		

Baseline Costs from Budget

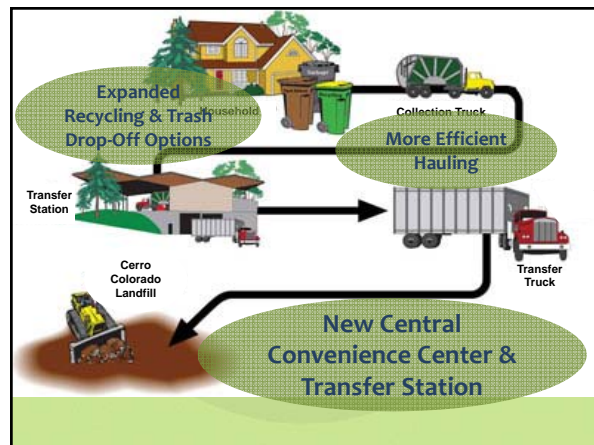
City of Albuquerque
Projected Recycle Program Costs

Line#	Line Item Description	Projected Costs	% of Dir. Costs	Current	Auto
Current					
	Labor Hours			45,488	93,275
	Drivers			18	35
	Route Hours			35,549	72,800
Cost per hour					
1	Wages - Route Drivers	856,483	22%	20,641	
2	Payroll Tax Expense	71,759	2%	1,561	
3	Medical Insurance	120,708	3%	2,851	
4	Pension Plan Expense	148,902	3%	3,223	
5	Other Benefits	35,007	1%	877	
6	Training and Worker Safety	-	0%	-	
7	Fuel	174,439	4%	4,911	
8	Repairs & Maintenance - Vehicles	189,000	5%	5,901	199,000
9	Depreciation - Vehicles & Carts	-	0%	-	
10	Allocated Equipment Debt	269,804	6%	7.59	
11	Supplies	141,494	3%	3.39	
12	Other Operational Expenses	822	0%	0.02	
13	Misc. Expense	10,000	0%	0.28	
14	Allocated Vehicle Maint	225,627	5%	6.35	
15	Processing of Recyclables	1,658,861	31%	48,655	1,658,861
16	Allocated SW Division Admin	225,627	5%	6.35	
17	Allocated Admin	122,115	3%	3.44	
18	Allocated Clean City & Grants	-	0%	-	
19	Allocated Convenience Centers	-	0%	-	
20	TOTAL - SUMMARY DIRECT COSTS	4,340,498	100%	114.04	
	Labor Expense	1,312,908	29.8%		
	Truck Expense	1,020,968	23.7%		199,000
	Processing of Recyclables	1,658,861	38.2%		1,658,861
	Admin, Programs, & Allocated Expenses	347,741	8.0%		
	Total	4,340,498	100.0%	114.04	1,857,861
	Direct Costs Check Totals (tbl 0)	\$ -	0		1,857,861
	Reported Cost per Customer per Month	\$ 2.89			

Cost Savings

City of Albuquerque
Projected Recycle Program Costs

Line#	Line Item Description	Projected Costs	% of Dir. Costs	Current	Auto	Change	105%
Current							
	Labor Hours			45,488	93,275	47,807	105%
	Drivers			18	35	17	
	Route Hours			35,549	72,800	37,251	105%
Cost per hour							
1	Wages - Route Drivers	856,483	22%	20,641	986,772	1,825,295	20.84
2	Payroll Tax Expense	71,759	2%	1,561	75,493	147,292	1.56
3	Medical Insurance	120,708	3%	2,851	128,618	247,428	2.65
4	Pension Plan Expense	148,902	3%	3,223	154,459	301,381	3.23
5	Other Benefits	35,007	1%	877	36,459	71,613	0.77
6	Training and Worker Safety	-	0%	-	-	-	-
7	Fuel	174,439	4%	4,911	183,794	397,220	4.91
8	Repairs & Maintenance - Vehicles	189,000	5%	5,901	325,000	825,000	7.21
9	Depreciation - Vehicles & Carts	-	0%	-	2,795,029	2,795,829	37.85
10	Allocated Equipment Debt	269,804	6%	7.59	269,804	371	3.71
11	Supplies	141,494	3%	3.38	141,494	194	1.94
12	Other Operational Expenses	822	0%	0.02	822	0.01	0.01
13	Misc. Expense	10,000	0%	0.28	10,000	0.14	0.14
14	Allocated Vehicle Maint	225,627	5%	6.35	225,627	3.50	3.50
15	Processing of Recyclables	1,658,861	31%	48,655	1,658,861	-	-
16	Allocated SW Division Admin	225,627	5%	6.35	225,627	3.50	3.50
17	Allocated Admin	122,115	3%	3.44	122,115	1.88	1.88
18	Allocated Clean City & Grants	-	0%	-	-	-	-
19	Allocated Convenience Centers	-	0%	-	-	-	-
20	TOTAL - SUMMARY DIRECT COSTS	4,340,498	100%	114.04	8,843,872	7,328,508	62.52
	Labor Expense	1,312,908	29.8%		1,380,488	2,880,351	29.8%
	Truck Expense	1,020,968	23.7%		1,440,423	4,250,459	58.67
	Processing of Recyclables	1,658,861	38.2%		1,658,861	-	-
	Admin, Programs, & Allocated Expenses	347,741	8.0%		347,741	4.13	4.13
	Total	4,340,498	100.0%	114.04	8,843,872	7,328,508	62.52
	Direct Costs Check Totals (tbl 0)	\$ -	0		1,857,861	0	0
	Reported Cost per Customer per Month	\$ 2.89			Projected Cost per Customer per Month	\$ 5.53	
					Contingency @ 10%	\$ 0.55	
					Projected Cost (Cost + Contingency)	\$ 6.08	



Future Recycling Opportunities

Commercial Collection

- Collection of cardboard, paper, glass
- Rates that emphasize diversion
- City service, private service, both?

Recycle.