



MEMORANDUM

Date: February 20, 2009

To: Ursula Kramer, Director
Environmental Quality

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Your Solid Waste Financial Update Memorandum**

There are a few actions for further expenditure reductions that should take place immediately that have been identified in your letter. These are:

1. Reducing hours of operation at the Ajo Landfill from 70 to 40. This change should take effect immediately. Please contact Deb Miller in Supervisor Sharon Bronson's Office for contacts in the area to coordinate the reduced hours of operation.
2. Eliminate green waste grinding.
3. Defer the payment to Sahuarita for the Sahuarita Landfill for fiscal year 2009/10 after consultation with Sahuarita.
4. Reduce the Ina Road facility operation to a four-day operation.

These actions should take place as soon as possible to save additional funds. I will transmit the balance of the recommendations to the Board for their review and consideration.

In addition, there needs to be improved budgetary tracking associated with past cost reductions and what further cost reductions are needed to eliminate the projected budget deficit of \$2.4 million for fiscal year 2009/10.

CHH/jj

- c: The Honorable Chairman and Members, Pima County Board of Supervisors
John Bernal, Deputy County Administrator - Public Works
Martin Willett, Chief Deputy County Administrator
Tom Burke, Finance and Risk Management Director
Thomas House, Budget Manager, Finance and Risk Management



MEMORANDUM

Pima County Department of Environmental Quality

DATE: February 18, 2009

TO: C. H. Huckelberry
County Administrator

FROM: Ursula Kramer
Director *UK*

RE: Solid Waste Financial Update

This memo outlines the steps taken to date to reduce costs and increase revenue. It also identifies additional actions that could be taken to continue to reduce costs and increase revenue.

Background:

The budget submittal for the Solid Waste Management Division (SWM) for FY 2009-10 is based on an operations scenario that continues current operations and maintains current fees. To summarize, that includes the following:

- Tangerine Landfill: open seven days a week to residential and commercial customers from 7:30 am to 4:45 pm except major holidays. Base rates are \$30/ton or, for residents with less than 1 ton, \$2 per car and \$5 per truck or trailer.
- Ina Road Landfill: open Monday through Friday from 7:30 am to 4:45 pm except major holidays. Base rate is \$30/ton or \$10 for any load less than 1 ton. This site only accepts construction debris, inert material and clean green waste. This site also accepts used tires for recycling.
- Sahuarita Landfill: open seven days a week to residential and commercial customers from 7:30 am to 4:45 pm except major holidays. Base rates are \$32.50/ton or, for residents with less than 1 ton, \$2 per car, \$5 per truck or trailer.
- Ajo Landfill: open seven days a week from 7:30 am to 4:45 pm except major holidays. There is no fee at this site.
- Catalina Transfer Station: open Thursday through Sunday from 7:30 am to 4:45 pm except major holidays. This site accepts residential customers only at the base rate of \$2 per car, \$5 per truck or trailer.
- Ryan Field Transfer Station: open Thursday through Sunday from 7:30 am to 4:45 pm except major holidays. This site accepts residential customers only. There is no fee at this site.
- Rural collection sites: SWM currently maintains the following four rural collection sites
 - Arivaca Rural Collection on W. Arivaca Road
 - Sasabe Highway and Arivaca-Sasabe Road intersection
 - Why Rural Collection at the Highway 85/86 intersection
 - Gringo Pass Trailer Park in Lukeville

The SWM submitted budget for FY 2009-10 consists of an operating budget of \$6.42 million, revenues of \$4.04 million, resulting in a deficit budget of \$2.38 million.

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Expenditure reductions to date:

SWM has implemented the following actions to reduce operating expenses. The numbers in parenthesis are the annual expenditure reductions.

- Reduction in hours from 70 to 40 hours per week at the Catalina (\$80,000) and Ryan Field Transfer Stations (\$20,000);
- Aggressively rescheduled staff to drastically reduce overtime (\$100,000);
- Eliminated rural collection sites at Lukeville (\$15,000), Ajo Cemetery (\$2000), Why (\$10,000) and Mt. Lemmon (\$19,200);
- Eliminated the Three Points Saturday collection (\$19,000);
- Eliminated the community cleanup program (\$11,000);
- Reduced staffing levels from 45.6 FTE on 12/31/07 to 37.45 FTE projected for FY 09/10 (\$500,000);
- Eliminated security services (\$188,000) (Note that some Securitas employees are serving as cashiers at some SWM locations. This is not included in the amount.);
- Eliminated the A-7 Ranch roll-off bin service (\$1000);
- Eliminated take-home vehicles (\$8000); and
- Eliminated on-call pay (\$10,000) except for cashiers.

Total expenditure reductions to date: \$983,200 per year

Revenue enhancements to date:

- Raised tipping fees for commercial haulers – revenue is hard to quantify since disposal volume has changed at the landfills due to general economic conditions; commercial rates were \$16/ton in 2005 and are now either \$30 or \$32.50/ton depending on the location. The following annual revenue increase is estimated based on current volumes at current rates minus current volume at 2005 rates.
 - Tangerine - \$465,000
 - Sahuarita - \$530,000
 - Ina Road - \$90,000
 - Total - \$1,085,000
- Began charging the Town of Marana for disposal at the standard tipping rates (\$20,000); and
- Instituted out of county fee (\$6,300).

Total revenue enhancements to date: \$1,111,300

Further options for expenditure reductions:

- Close all facilities on Sundays
 - Tangerine (\$65,000)
 - Sahuarita (\$40,000)
 - Catalina (\$6,500)
 - Ryan Field (\$25,000)
 - Total Estimated Savings for all sites of \$136,500
 - Ina Road is already closed Sundays. If Catalina and Ryan remain open Sundays (these sites are currently open Thursday through Sunday) we would expect an increase in disposal at these locations on Sundays. Since SWM staff haul waste collected at

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Catalina and Ryan to the landfills, increased disposal at the transfer stations would result in increased costs from the higher volume of disposal.

- Close Sasabe/Arivaca Junction RCC (\$12,000);
- Close Lukeville Trailer Park RCC (serves only the trailer park, a commercial business) (\$10,000);
- Reduce operating hours for Ajo Landfill from 70 to 40 hours per week (no change in personnel although it should relieve paid overtime and reduce equipment costs by \$27,000 per year);
- Eliminate Greenwaste Grinding (\$100,000) – SWM would still collect greenwaste but simply incorporate it in the landfill without grinding;
- Reduce the 10% of gross revenue IGA with the Town of Sahuarita for the Sahuarita Landfill (\$117,600 projected for FY08/09; \$115,200 estimated for FY09/10);
- Reduce Roll Off Drivers (Equipment Operator 1) by 1.0 FTE (\$46,000);
- Close Catalina Transfer Station if no increase of Residential Fees (Net Savings of \$166,000);
- Close Ryan Field Transfer Station if no increase of Residential Fees (Net Savings of \$243,000); and
- Reduce Ina Road to 4 day operation (savings of approximately \$13,000, but would free up staff coverage to mitigate potential overtime and/or site closure at other sites).

Further options for revenue enhancements:

- Increase fees for residential entry to a \$10 minimum (\$500,000);
- Charge fee at Ryan Field (\$180,000);
- Eliminate discount passes (\$2000) and fee waivers (\$15,000); and
- Increase commercial fees – The commercial fees currently charged at County landfills is competitive with those charged by other public and private companies in the Tucson area. Raising rates beyond that point may result in lost revenue as customers take disposal volumes to lower cost locations.

Privatization:

Privatization remains a viable option for Pima County Solid Waste. The County is legally required to ensure solid waste facilities are available to county residents, but if those facilities are provided by others, either private or public, the legal obligation is met. Although it is not expected that a private entity could operate the County's facilities at a profit, working with a private company could allow for economies of scale and consolidation of services that may eliminate the Solid Waste deficit and perhaps even generate a positive cash flow to the County. A Request for Proposals could be structured to determine the viability of such an approach and would include key requirements identified by the County, such as ensuring the availability of disposal locations throughout the County.

Recommendations:

There are many combinations of cost reductions and revenue enhancements possible based on the

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actions identified above. However, the following two appear to offer the most viable operational combination of actions:

- Option 1
 - Close all facilities on Sundays and shift Ryan and Catalina Transfer Stations to Wednesday through Saturday operation - \$105,000
 - Close Sasabe/Arivaca and Lukeville Rural Collection Sites - \$22,000
 - Reduce Ajo Landfill hours from 70 to 40 per week - \$27,000
 - Eliminate greenwaste grinding - \$100,000
 - Raise residential rates to \$10 minimum entry at all locations, including Ryan Field - \$680,000
 - Eliminate discount passes and fee waivers - \$17,000
 - Renegotiate IGA with the Town of Sahuarita
 - Continue to develop Request for Proposal for Privatization concurrently
 - *Total impact - \$951,000*
- Option 2
 - Close Tangerine and Sahuarita on Sundays - \$105,000
 - Permanently close Ryan Field and Catalina Transfer Station - \$409,000
 - Reduce Ajo Landfill hours from 70 to 40 per week - \$27,000
 - Eliminate discount passes and fee waivers - \$17,000
 - Renegotiate IGA with the Town of Sahuarita
 - Continue to develop Request for Proposal for Privatization
 - *Total cost impact - \$558,000*

I am available at your convenience to answer any questions or to discuss this matter further.

cc: John Bernal, Deputy County Administrator
Nanette Slusser, Assistant County Administrator
Dave Eaker, Deputy Director for SWM, PDEQ
Richard Grimaldi, Deputy Director for EQ, PDEQ
Tim Rapoza, Senior Administrative Services Manager, PDEQ