

Privatization / Competition Advisory Committee (PCAC)

February 2014

To: Mayor and City Council

From: Christopher Brown, Chair, Privatization / Competition Advisory Committee

Subject: PCAC Observations and Suggestions on Proposed Changes to Solid Waste Services

This letter communicates the observations and opinions of the Privatization/Competition Advisory Committee ("PCAC") with respect to the recent evaluation of the City of Charlotte's ("City") solid waste management program by Gershman, Brickner and Bratton, Inc. ("GBB") and subsequent recommendations by the City's Solid Waste Services Department ("SWS").

Background

In 2012, the City retained GBB to evaluate and recommend potential changes to the service and fee structure of the City's solid waste management program. In addition, at the direction of the SWS, GBB conducted an analysis of the City's large multifamily program. SWS subsequently evaluated the GBB report and completed their own report recommending actions to be taken based on the study and their on-going efforts to provide equitable, high-quality and cost effective services. Following these reports, the PCAC was asked by the City to provide independent "observations and suggestions" on the issue(s) and recommendations raised in both reports. The PCAC undertook this review at the request of SWS and under its charge to be an advisor to both the City Council and City Manager on matters regarding privatization and competition. As part of the review, PCAC members reviewed both reports and met with members of SWS to discuss the recommendations and related service provision issues.

PCAC Summary and Conclusions

The PCAC believes that the GBB study and recommendations and subsequent SWS recommendations bring to light notable inconsistencies in the City's services and fee structure with respect to solid waste service provision. They also highlight notable differences in the City's service provision relative to peer communities across the country. During our review of the multifamily study and discussions with SWS staff, it is clear there are numerous opportunities for the City of Charlotte to efficiently and effectively evolve its service provision in a positive manner. In general, while our somewhat limited involvement precludes us from conducting a more detailed analysis, we believe that the majority of GBB and SWS recommendations proceed in this direction.

Specifically, we support GBB's recommendation to eliminate City provision of trash and recycling services for multi-family structures containing 5 or more residential units. We also support making changes to service provision for small businesses that are equitable, environmentally friendly, and economical. Finally, the PCAC agrees that the current system of charging the Solid Waste Fee to residences and business should be modified to ensure that those receiving service are charged proportionally to the service provided and those not receiving service are not charged. We provide more detailed comments to all the recommendations below.

The PCAC would like to thank the Mayor, City Council, city staff and particularly the SWS team for allowing us to consult in the consideration of these issues. In particular, the PCAC acknowledges the willingness of City staff to consider outside opinions and is repeatedly impressed by the efforts of staff to bring high quality, efficient and cost effective services to its citizens.

The PCAC looks forward to hearing more about the direction the City chooses to take with respect to solid waste service provision. We also look forward to assisting in any way possible with respect to future study/consideration of the issues. If the Mayor or City Council have any questions or comments on the topics discussed in this letter, please feel free to contact us.

PCAC Observations and Suggestions on SWS Recommendations:

Recommendation #1:

Consultant (GBB): Eliminate collection services for multi-family dwellings of 5 or more units and small businesses outside Special Tax District No. 1.

SWS: Deliver redefined services for single-family and multi-family dwellings and small businesses according to policy decisions.

PCAC Comment: The PCAC agrees that the provision of collection services to multifamily homes with five (5) or more residential units is an inappropriate cost to the general citizenship, has no relevant operational basis, and is significantly outside the norm for cities most similar to Charlotte. In addition, eliminating the service would save the city more than \$1.5 million per year. The PCAC also agrees that multifamily structures with five or more residential units are more commercial in nature than residential. With SWS acknowledging that the change would make operational sense, the PCAC agrees with the consultant's proposal to eliminate City provision of trash and recycling services for multi-family structures containing 5 or more residential units.

The PCAC agrees that the current system of solid waste service provision to small businesses in the community is both arbitrary and inconsistent. We recommend the City redefine its service provision and revise the City Code to be more equitable, environmentally friendly, and economical. SWS recommendations on this topic appear to move in this direction.

Recommendation #2:

Consultant (GBB): Revise the City Code to define four property classifications and limit provision of collection services to single-family dwellings.

SWS: Based on policy decisions, revise the City Code to support the new service provisions.

PCAC Comment: The PCAC believes that revising the City Code appears necessary to implement the proposed changes being considered to solid waste services. Due to the lack of specific knowledge on the City Code, the PCAC defers to City staff and its legal advisors with respect to this recommendation.

Recommendation #3:

Consultant (GBB): Develop a new fee structure to be assessed on all improved properties.

SWS: Develop a new fee structure to apply on all properties receiving SWS collection services.

- a. Rollout service, variable based on garbage cart size and quantity
- b. For dumpster service, one of three methods:
 1. If elimination of City-funded services – free market choice by property owners
 2. If elimination of City-funded services – franchise agreements
 3. If continuation of City-funded services – recalculation of fee to offset costs in a way consistent with the method used for single-family/rollout service
- c. For small business garbage service outside Municipal Service Districts, collection fee based on size and number of garbage carts as well as frequency of collection

PCAC Comment: The PCAC agrees that the current system of charging the Solid Waste Fee to residences and business is lacking uniformity and inconsistent. The fee should be modified to ensure that those receiving service are charged proportionally to the service provided and those not receiving service are not charged.

More specifically, GBB recommends the City develop a new fee structure based on clearly defined service categories that “could” include a systems benefit fee, a disposal fee, and a refuse and recycling fee. SWS recommends a new fee structure that supports refuse collection service based on cart size, cart quantity, and frequency of collection, in essence, a move toward pay-as-you-throw services.

The PCAC believes that both proposals have some merit and attempt to modernize and improve the fee structure with respect to solid waste services in Charlotte. However, the changes being proposed represent a significant departure from current practices. The PCAC believes that any major modification to fee structure and service provision deserves thorough consideration. The PCAC suggests that additional consideration of the costs, benefits, and potential service impacts to citizens could better validate the ultimate decision and the effectiveness of implementation. In this light, we provide some additional comments and observances below:

- The GBB recommends a systems benefit fee. However, the City Attorney’s Office is of the opinion that the “systems benefit fee,” as proposed by GBB, is not supported by State statute. While the PCAC has no reason to disagree, GBB’s recommendation is based on best practices that they have seen in the industry. We believe additional discussion could be given to the topic to see if some legally acceptable form of a public area maintenance fee is feasible and appropriate for the City.
- SWS recommends rollout service that is variable based on container size and quantity. The PCAC views this as a move toward pay-as-you-throw solid waste services. While this type of service appears to have significant merit and is a direction that many communities around the country are moving, the PCAC notes that it is a significant change in current service model and additional study of the costs, benefits, and potential service impacts to citizens could better validate the decision to change and the effectiveness of its implementation.
- SWS recommends initiating a cart based program for small businesses and makes a compelling argument that it would be more consistent, efficient, and improve neighborhood appearances. The PCAC believes that this recommendation has some merit if the City chooses to continue to provide collection services to small businesses. However, this recommendation is somewhat dependant on choices made with respect to Recommendation #1 proposed above. Until the City decides on its preferred level of solid waste service provision to small businesses as a whole, the cost and benefits of this recommendation cannot be appropriately evaluated.

Additional Information on the PCAC

The Privatization/Competition Advisory Committee (“PCAC”) is a citizen advisory committee tasked with monitoring City activities and advising the City Council and City Manager with respect to privatization and competition issues, in general. Members are appointed by the City Council and City Manager for two year staggered terms. City Council established the Privatization/Competition Advisory Committee in 1993.

The PCAC consists of an 11-member panel of citizens; 3 of which are appointed by the Mayor and the remaining 8 appointed by City Council. Committee members typically commit approximately 4 1/2 hours per month to committee business and come from all sectors of the Charlotte business community.