

Reply to Common Council File No. 050323
From DOA-Budget and Management Division

September 7, 2005

Ref: 2006 BF, 7-E

File 050323 contains a substitute resolution establishing the 2006 Local Solid Waste Charge. The resolution establishes a quarterly charge of \$33 to take effect January 1, 2006.

The Common Council established a Solid Waste Charge in 2001 that imposes a charge on all one-to-four family dwelling units, including condominium facilities that receive city garbage collection service. The Common Council adopts an annual resolution to establish the charge. In 2001, the solid waste rate was set at \$11 per quarter. The charge was modified in 2002 to provide for a quarterly rate of \$18.75, which is the current quarterly rate.

Solid Waste services include weekly garbage collection, recycling, special collections, self-help centers, leaf collection, street sweeping, and the weekend neighborhood box program. The 2005 rate recovers approximately 50% of applicable operating costs, net of grants and enterprise fund transfers. Property taxes fund the remainder of the costs, including capital equipment-related costs. The proposed 2006 charge increases cost-recovery to approximately 87% of net operating costs.

Adoption of this resolution will help stabilize city services in light of the two-year State levy limits which capped the 2006 property tax growth at \$4 million, and the ongoing Shared Revenue freeze. Growth in wages and health care benefits exceed this limit, as does maintaining existing Police strength. The levy problem is further pressured by fuel and electricity price increases that are projected to be 60% of the levy limit.

There are sound policy reasons to adopt this resolution that include:

- It reduces the level of subsidy from the property tax to service users thus creating an equitable means of charging for the service.
- The Solid Waste Charge represents a fair and understandable method to charge the costs of solid waste services to those households who benefit.
- Increased cost-recovery through the Solid Waste Charge is consistent with the city's funding policy for services, and would be similar to the policy to charge for sewers.
- Increasing the Solid Waste Charge will enable the city to respond to tight levy limits with an alternate revenue stream. Revenue diversification is essential given state levy limits and frozen state aids, unless there is a willingness to significantly reduce service levels.
- Charges clarify the costs of providing a particular service, which allows for more meaningful public comment and policymaker judgment regarding the value of such services, and the trade offs between service level and cost.
- Charges reduce reliance on variable and uncertain revenues such as intergovernmental aids. They can also make a local government's cost structure more competitive.

**RECOMMENDATION: ADOPT COMMON COUNCIL SUBSTITUTE RESOLUTION
ESTABLISHING THE 2006 SOLID WASTE CHARGE.**



Mark Nicolini
Budget and Management Director