



CITY OF TUCSON

May 17, 2011

Dear Honorable Mayor and Council Members,

The Environmental Services Advisory Committee (ESAC) Finance Subcommittee has reviewed the information presented by Environmental Services (ES) staff regarding the fee increases for residential, commercial, disposal services, and groundwater protection. The ESAC Finance Subcommittee also reviewed the fundamentals of the Cost of Service Plan, which form the basis for these requests.

While ES's operating budget is proposed to increase three percent to primarily cover the increase in employee benefits costs as well as adjusting for inflation, the commercial rates are proposed to increase only two percent. An increase in revenue from sale of recyclable materials and the groundwater fee will offset the variance.

ES' initial budget submittal included additional revenue for residential service and a two percent increase in residential rates. However, ES has since learned that Pima County has agreed to support the Household Hazardous Waste Program (HHW) by contributing \$256,000. In addition, through the low income verification program that was implemented February 2011, the number of eligible customers is expected to decrease from 5,500 customers to 2,000 customers. Although the verification program has not been in place an entire year, the potential annual revenue increase is projected to be approximately \$500,000. These recently discovered revenue increases are sufficient to offset a residential fee increase requirement for Fiscal Year 2012.

The ESAC Finance Subcommittee supports planning for the funding of closure and post/closure activities of City owned landfills. For instance, a new remediation project to remove groundwater contamination at the Silverbell Landfill will begin in Fiscal Year 2012 which requires funding for permitting and facility design. The groundwater protection fee has been increased to handle these costs as well as offset additional billing services costs for an additional 80,000 customers of Tucson Water not in the city limits.

Additionally, the ESAC Finance Subcommittee is aware that self-hauler rates have not increased since Fiscal Year 2005 and are currently not aligned with the full cost recovery model recently updated with the approval of Mayor and Council in April 2010. The Los Reales Landfill self-haul operation is expensive, and labor and equipment intensive. Staff reduced the operating hours and costs by closing on Sundays. A recent customer survey conducted at Los Reales Landfill overwhelmingly indicated that customers felt they received a high value of service and were willing to pay more for services. Further rate increases at Los Reales Landfill are not anticipated until the new facilities are in place.

Therefore, the ESAC Finance Subcommittee strongly supports the ES fee increase for residential, commercial, disposal services, and groundwater protection, as well as the proposed amendments to Chapter 15.

Sincerely,

Margot Garcia
Chairperson, ESAC
Member, ESAC Finance Subcommittee

cc: ESAC Committee Members