Analysis of the Fiscal Impact of the People’s Ordinance

OVERVIEW

Approved by the voters in 1919, the People’s Ordinance made it the responsibility of the City to collect and dispose of refuse. As has been interpreted by the City Attorney’s Office, the ordinance makes it a requirement of the City to collect refuse, without charge, from any residential entity with direct access to the City streets. This has created a bifurcated system for refuse collection within the City, where most single-family homes, and a few multi-family properties, receive free refuse collection services (paid for by the City General Fund), while most multi-family residences, single family homes on private streets, and businesses pay for private haulers to provide these services.

On July 14, Councilmember Elo-Rivera requested that our Office conduct a comprehensive analysis of the People’s Ordinance, focusing on the fiscal impacts, both past and future, for the City General Fund, as well as other policy considerations. We have included Councilmember’s Elo-Rivera’s memorandum as an attachment to this report. This report represents our response to that request.

BACKGROUND

The People’s Ordinance was adopted on April 8, 1919, following a majority vote in favor of the measure by City residents at that time. The People’s Ordinance is contained in Municipal Code Section 66.0127, and states that “Residential Refuse shall be collected, transported and disposed of by the City at least once each week and there shall be no City fee imposed or charged for this service by City forces.”
The Ordinance was amended in both 1981 and 1986, which recognized commercial and industrial waste collection as separate and distinct from residential waste and limited the scope of City provided waste collection (including a limitation on single family units on private streets without a hold harmless agreement predating the 1986 amendment). As such, the municipal code also states that “the City shall not collect Nonresidential Refuse, except that Nonresidential Refuse from a small business enterprise may be collected by City Forces if authorized by the City Council and limited to once a week service in an amount no greater that one hundred fifty percent (150%) of the refuse generated by an average City residential dwelling unit.” The municipal code also defines Residential Refuse as “refuse, as defined herein, normally generated from a Residential Facility and which is placed at the curb line of public streets at designated times in approved containers,” while Nonresidential Refuse is defined as “all refuse that is not Residential Refuse.”

The reality created by this section of the municipal code is that they City pays for general refuse collection from residences with access to the streets out of its General Fund operating budget. In doing so, this service is one of the only services paid for by the General Fund that confers an exclusive benefit onto only a subset of City residents. Other residents, including most individuals who live in multi-family residences, as well as other entities who do not receive this benefit, must pay private haulers to collect their refuse. While the General Fund makes up the majority of the funding source for Collection Services within the Environmental Services Department (ESD), the City also utilizes the Recycling Enterprise Fund to pay for recycling collection services for residents serviced by City forces. The Recycling Fund is funded by revenues derived from the sale of recyclable commodities (minus processing costs), waste diversion revenues and grants from the state, and a fee (known as either the AB 939 fee or the Recycling Fee) which is charged on all solid waste collected, processed, or disposed of in the City landfill. This fee is paid for by both private haulers as well as the City General Fund through the Collection Services budget.

Historically, the AB 939 fee, along with the sale of recyclable materials, have generated enough funding for the Recycling Fund to pay for City recycling activities and operations. However, recent changes in the recycling market, mainly due to the change in policy in China known as National Sword, have decreased the revenue and increased the costs associated with the City recycling program. Recently, there have been potential discussions on the possible need to increase the AB 939 fee in order to cover these new costs and make up for the revenue losses. However, if the City were to cover the costs of recycling collection through a potential customer fee, this could alleviate some of the revenue pressure and stabilize the fund.

Interest in the impact of the People’s Ordinance has also come up recently due to the implementation of state law SB 1383, which now mandates that all refuse collection providers provide organic waste recycling services, in addition to the traditional recycling and refuse collection services that are currently provided. For the City, that means providing all City served residences with an organics waste bin, as well as food waste kitchen pails, and expanding weekly yard waste and organics collection services to all eligible households in the City by 2023. The FY 2022 Adopted Budget contained initial funding to begin the implementation of these activities, including funding for the Capital Improvements Program to update packer facilities as
well as begin acquiring bins and hiring additional drivers. Due to the People’s Ordinance, all of these costs are currently being covered by the City’s General Fund.

For many years, numerous Grand Jury reports, as well as our Office, have recommended that the City Council consider placing a measure on the ballot for voters to amend the People’s Ordinance. As will be discussed further in this report, almost all municipalities within the state charge for refuse collection services, whether those services are provided by City staff or by private haulers. In fact, refuse collection services are one of the fees that municipalities are allowed to raise in California without a vote of the public under Proposition 218, along with water and sewer fees. Similar to water and sewer fees, a potential trash fee would have to undergo a full Proposition 218 process, which would include the requisite cost of services studies, property owner notifications, possibility for protest vote, and then Council approval. However, the City would need a vote of the public to amend the People’s Ordinance to allow for implementing a fee before any of these steps could be taken.

FISCAL AND POLICY DISCUSSION

This report will cover each of the seven questions that were posed in the memo from Councilmember Elo-Rivera. In conducting this analysis, our Office would like to thank the staff of ESD, without which we would not have been able to conduct such a well researched report. We would also like to thank the members of the Executive Management Team and the Mayor’s Office for making sure that we could get the information that we needed in a timely manner.

Question 1: People Ordnance Cost to the General Fund in FY 2022

As mentioned previously, the main cost associated with the People’s Ordinance is the General Fund spending for the Collections Division within ESD. The FY 2022 Adopted Budget for General Fund spending in this division is $42.8 million. In addition, one-time costs for route optimization software in FY 2022, which could be covered with a trash fee, add $0.4 million in General Fund expenses, bringing the total General Fund spending for People’s Ordinance costs to $43.2 million. However, as shown in the table below, total People’s Ordinance spending across all funds could potentially be as high as $71.8 million.

<table>
<thead>
<tr>
<th>Division</th>
<th>General Fund</th>
<th>Recycling Fund</th>
<th>Refuse Disposal Fund</th>
<th>Automatic Container Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection Services</td>
<td>$42.8</td>
<td>$19.2</td>
<td></td>
<td></td>
<td>$63.7</td>
</tr>
<tr>
<td>Disposal and Environmental Protection</td>
<td></td>
<td>4.6</td>
<td>2.3</td>
<td></td>
<td>6.9</td>
</tr>
<tr>
<td>Environmental Services Support Services</td>
<td>0.4</td>
<td>0.2</td>
<td></td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td>Waste Reduction</td>
<td></td>
<td>0.6</td>
<td></td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td>Total</td>
<td>$43.2</td>
<td>$24.6</td>
<td>$2.3</td>
<td>$1.7</td>
<td>$71.8</td>
</tr>
</tbody>
</table>

Beyond the General Fund, the Recycling Fund has the most spending that could also potentially be recovered through a trash fee. The largest item is the Recycling Fund portion of the Collection Services budget, which totals $19.2 million. Additional line items within the Recycling Fund
including curbside recycling processing costs ($4.6 million), household hazardous waste facility costs ($0.6 million), and route optimization software ($0.2 million).

The Refuse Disposal Fund, which is funded through tipping fees for refuse disposed at the City landfill, also picks up about $2.3 million in costs for various activities that could otherwise be included under a trash fee, including community cleanups, Christmas tree collection, illegal dumping activities, and tip fee discounts. Finally, there is the Automatic Container Fund, which is the fund where fees for replacement trash cans are collected. The FY 2022 Budget for this fund is $1.7 million. It is important to note that not all of these costs would necessarily need to be covered by a trash fee, as many of these smaller line items could continue to be covered by their current funding sources, or by new stand alone fees for particular services.

**Question 2: Projected People’s Ordinance Cost to the General Fund over the Next Five Years**

Based on the FY 2022 Adopted Budget, and information provided by ESD, our Office developed a five-year projection for the General Fund and Recycling Fund expenses related to the People’s Ordinance, covering fiscal years 2023-2027. Our projection focuses on the Collection Services budget, including both General Fund and Recycling Fund costs, as well as other Recycling Fund expenses, and is based on the Adopted Budget, as well as information from ESD regarding SB 1383 costs for the future. The results are presented in the table below. General Fund costs, including current base budget costs as well as additional SB 1383 related expenses, are projected to rise from $45.6 million in FY 2023 up to $48.5 million in FY 2027.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Five Year General Fund Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td>FY 2023</td>
</tr>
<tr>
<td>General Fund Base Budget</td>
<td>$38.8</td>
</tr>
<tr>
<td>SB 1383</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Total General Fund</strong></td>
<td><strong>$45.6</strong></td>
</tr>
<tr>
<td>Recyling Fund Base Budget</td>
<td>$19.5</td>
</tr>
<tr>
<td>Recycling Fund Processing</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Total Recycling Fund</strong></td>
<td><strong>$24.1</strong></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$69.7</strong></td>
</tr>
</tbody>
</table>

For this projection, our Office utilized similar assumptions to those utilized by the Department of Finance (DOF) in the Five-year Financial Outlook for FY 2022-2026, with updates relating to new MOUs with the respective bargaining units as well as updated ADC pension projections. However, we would caution that in some instances, some assumptions could potentially be outdated, as some growth percentages are based on the previous DOF Outlook, which is over a year old. It should be noted that DOF is currently in the process of developing the new Five-Year Financial Outlook that will cover FY 2023 through FY 2027, and that their assumptions may differ slightly from ours as they go through the process of updating the forecast.

Further, it should also be noted that the costs associated with SB 1383 are still being developed as the City works through the details on how to deliver that service. In particular, ESD advised our Office that there will most likely be a large increase in the tipping fees associated with SB
1383 organics processing. Currently, organics are deposited at the Miramar Greenery, with a tipping fee of $33 or $38 per ton in order to cover the costs of operating that facility. However, the Department is currently developing a new Organics Processing Facility (OPF), which will take the place of the existing Greenery and will be a significant upgrade of that facility, designed to handle organic waste more efficiently, effectively, and in compliance with State Water Resources Board compost regulations. This new facility will be more expensive to operate than the Greenery, and as such current estimates indicate that the OPF may require a tip-fee more than double the current Greenery fee. This will also place a greater burden on the General Fund in later years, as green waste costs are currently funded from the Recycling Fund since green waste is considered a voluntary service. As this service is incorporated into the mandatory services under SB 1383, these costs will shift to the General Fund.

**Question 3: People’s Ordinance Cost to the General Fund in the Last Five Fiscal Years**

Based on the FY 2022 budget data provided by ESD, the projected cost to the General Fund for the People’s Ordinance from FY 2017 through 2021 was $172.9 million. The year by year cost, as well as costs associated with the Recycling Fund, are presented in the table below.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$32.8</td>
<td>$33.4</td>
<td>$34.0</td>
<td>$35.3</td>
<td>$37.4</td>
<td>$172.9</td>
</tr>
<tr>
<td>Recycling Fund</td>
<td>15.3</td>
<td>16.9</td>
<td>17.7</td>
<td>18.0</td>
<td>19.6</td>
<td>87.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$48.1</strong></td>
<td><strong>$50.3</strong></td>
<td><strong>$51.7</strong></td>
<td><strong>$53.3</strong></td>
<td><strong>$57.0</strong></td>
<td><strong>$260.4</strong></td>
</tr>
</tbody>
</table>

**Question 4: General Fund and Enterprise Fund Bond Capacity**

If voters were to amend the People’s Ordinance to allow for a fee to recover City costs associated with refuse and other waste collection services and the City Council were to subsequently implement such a fee, the City would then have new revenue to specifically cover collection service costs, which would relieve the City’s General Fund from having to support these services. Collection fee revenue and the corresponding reduction in City operating expenses would create new/additional bonding capacity for both the City’s General Fund and a new Collection Services enterprise fund.

If the City were to adopt a collection fee for residents, the fee revenue would be deposited into a new refuse and recycling enterprise fund to be used exclusively for the purpose of providing collection services. Enterprise fund revenue could be used to fund these collection services on a pay as you go basis, to bond finance needed capital expenditures, or some combination of both, similar to how water and wastewater fees are collected and utilized through their respective enterprise funds. It should be noted that solid waste collection and removal is not as capital intensive as the management and maintenance of the water and wastewater systems. While some debt has recently been approved for ESD to procure new green waste bins and packer vehicles in response to SB 1383 implementation, this borrowing likely addresses a one-time capital need as the City endeavors to quickly ramp up a new service.
To the extent that bond financing or any other form of borrowing is contemplated to address capital needs, these costs would need to be estimated and included in the requisite cost of service study that will need to be completed and considered before developing an appropriate fee structure. If the People’s Ordinance were to be amended by a majority of City voters, ESD informs our Office that the rate setting process for a new refuse collection fee structure could take up to two years or more to be completed. An enterprise fund would need to be established and some of the initial fee revenue would need to be set aside to create an operating reserve to cover any unanticipated service needs or expenses.

To the extent City operating expenses are reduced by the imposition of a service fee, the General Fund will have additional revenue to support debt service on additional borrowing in support of critical capital needs (e.g., new fire stations, libraries, or parks). Alternatively, resulting General Fund savings could be annually budgeted to provide new or higher levels of public services (e.g., public safety related, increased library or park hours/programs, or other targeted services in areas of identified need). The City Council would have to subsequently determine how to best deploy General Fund monies freed up by the imposition of a fee to recover the cost of collection services.

**Question 5: Impact of the People’s Ordinance to the City’s Zero Waste Plan Goals**

As part of the City’s Climate Action Plan, the City has a goal to divert 100% of waste away from the landfill by 2040. The City has already implemented numerous Zero Waste activities, which include the development of the Miramar Greenery, the implementation of the Recycling Ordinance and other waste diversion ordinances, and the City’s partnership with the Solana Center for composting activities. Furthermore, new programs, including organics recycling under SB 1383, will continue to move the City forward on the Zero Waste Plan. It is also important to note that City Collection Services only handled approximately 30% of all of the waste deposited at the landfill in 2019, with private franchise haulers responsible for the remaining 70% of the refuse.

However, based on the Councilmember’s question, we asked the Department for various examples of how the People’s Ordinance, and the lack of a fee in particular, have potentially impacted the City’s Zero Waste Goals. Based on their responses, we would categorize their examples into three general categories: 1) lack of knowledge about the customer base; 2) service level impacts due to lack of resources that could improve customer participation in waste diversion programs; and 3) lack of ability to utilize “Pay-As-You-Throw” policies.

Due to the fact that the City does not charge a fee for refuse collection services, the City does not maintain an individual billing system or keep regularly updated personal information for each serviced address. Not having this type of database hurts the City from both an enforcement as well as informational outreach perspective. For instance, the City does not have accurate, up-to-date information on container serial numbers and sizes for each community and has limited customer information other than the address of a site. Therefore, the Department is limited in its ability to engage residents in enforcement situations, even for positive, proactive education and outreach. Further, not having customer information limits the Department’s ability to conduct general outreach on new policies and educational materials to the utilization of a printed
newsletter delivered once per year. The Department is currently engaged with the Performance and Analytics Department to explore potential options to capture a larger abundance of customer data than just the point in time information collected from individuals with have initiated contact with the Department. Having a more robust customer database, that could be easily developed with a new billing system, could potentially improve the educational and enforcement abilities of the Department, which would in turn improve the waste diversion participation of residents.

There are also service levels that are impacted by the Department’s limited resources, with the primary one being the standard level of service. In most jurisdictions, refuse, recycling, and green waste are all collected once per week. However, the City is only able to collect refuse weekly, with recycling and green waste collected every other week in some areas. Further, out of the 285,000 estimated Collections customers in the City, only 45,000 have automated carts for green waste, 151,000 have manual green collection services where the residents provide their own 32 gallon cans, and another 89,000 customers have no green waste collection services at all. Moving to standard, weekly service for all three streams for all customers could increase participation and diversion rates for recycling and green waste. Additionally, enhanced revenue resulting from a collection service trash fee could enable the City to provide other services, such as free waste cart replacement or pick-up services for bulky items that are too large for carts and otherwise hard to dispose of. These services tend to enhance participation in diversion programs, and lead to less illegal dumping.

Finally, many jurisdictions have implemented “Pay-As-You-Throw” programs. Also known as volume-based pricing, these cities charge different rates for different can sizes in order to incentivize residents to throw away less refuse bound for the landfill and increase diversion of waste to recycling and organics processing. For example, the City’s current default can size is 95 gallons. Many other cities (as will be discussed more in the next question) offer 32- or 64-gallon cans for refuse that are cheaper on a per monthly basis than a 94 gallon can. In addition, other cans, such as blue recycling cans or green waste cans, are either included in the price chosen for refuse, or the jurisdiction may provide extra blue and green cans within the standard price for that service. Therefore, in addition to recovering the costs of providing City collection services, a trash fee could also be a proactive tool for promoting zero waste and diversion goals.

**Question 6: Examples of city-provided refuse collection systems and fee models**

As previously mentioned, almost all cities within California, and in many other states as well, in some way charge for refuse and recycling collection services. In many cities, including all other cities within San Diego County, all trash collection is achieved by private franchise haulers, many of which have exclusive franchise agreements to collect all refuse within a given municipality. However, some larger cities within the state, including Los Angeles, Sacramento, Fresno, and Long Beach, and nearby Phoenix, Arizona, provide refuse collection services with city staff, particularly for residential services. We have complied information on these cities, including fees and service levels, as well as information on some other large cities that provide refuse collection through franchise providers. This information is provided in Table 4 below. We have focused only on single-family home fees and services, as those are the services which are provided by City forces within the City of San Diego. It should be noted that some jurisdictions also provide multifamily services, with different service levels and different pricing mechanisms.
The services and fee models vary widely among the various large jurisdictions. Los Angeles has the closest system to San Diego, in that there is a standard level of service provided with a standard can size and one fee. Sacramento, Fresno, Long Beach, San Jose, and San Francisco all operate various versions of volume-based fee programs, with varying fees based on the can size provided. All these cities, however, differ in how they charge for recycling and green waste cans, with San Jose including recycling but charging extra for green cans, Long Beach including recycling but no green waste through cans, and Sacramento and Fresno charging for both recycling and green waste based on can size. San Francisco has a base fee for all residential
units, and then charges based on can size for all three types of waste. The table also provides a “Typical Total Charge,” which adds together the relevant refuse collection fee with the median recycling and green waste fees, if not already included, to provide more clarity on what the typical single family home customer pays within each City. Fees vary, from $24.47 as the low charge in Long Beach, to a high of $142.69 in San Jose for the largest cans available. Notably, almost all jurisdictions have some form of bulk pickup service, mostly either by appointment or limited to a specific schedule.

It is important to note that amending the People’s Ordinance to allow for a trash fee would not automatically impose the fee itself. As mentioned previously, refuse collection fees in California under Proposition 218, as well as Proposition 26, are treated the same as water and sewer fees. Thus, the City would be required to conduct a cost of service study, which would analyze any fee structures and service provisions unique to the City and its non-exclusive franchise system. This would require the City to hire an outside consultant with solid waste expertise, who would then analyze the system holistically and provide various cost scenarios. According to the Department, it would potentially take up to 12 months to procure such a consultant, and potentially another 12 months to finish such a study. It would be during this time that all service levels and fee models would be considered. In addition to the People’s Ordinance related costs listed above, the cost of service study would also include an analysis of other necessary and related costs associated with imposing a trash fee, including the costs for a billing system and staff, as well as reserve requirements and other service level related expenses.

The Councilmember also requested information on any programs to alleviate the undue burden on low-income households. Many of the cities noted in the table have utility payment assistance programs for low income individuals, but they vary in scope and size. Notably, however, some of these programs are grandfathered in under current California law, as Proposition 218 and other laws have limited the ability for municipally provided services to have one class of individuals subsidize another. As such, it would be difficult for the City to offer a program for reduced trash fees to low income residents through a fee model. However, if the City Council were to desire to set up such a program, the City could utilize General Funds to help low income rate payers.

**Question 7: Generalized Demographic Data for Facilities Receiving Free City-Provided Refuse Collection**

The final question asked for generalized demographic data for customers receiving collections services from City forces. This information is difficult to ascertain, since as mentioned previously, the Department only has addresses for customers, and as such is unable to accurately identify the housing units and types served or the amount and identity of residents receiving refuse collection services from the City.

In general, due to the provision that requires a residence to have access to the street, it is generally assumed that single family residences receive City provided service, while multifamily residences, many of which utilize dumpsters and not City provided cans, do not. However, some smaller multifamily residences may receive City provided service, if each household unit has its own City provided cans and can place them out on a City street. Further, single family homes
located within a private residential area, or on private streets, do not receive refuse collection services from City forces.

With that caveat, the basic break down of housing units between single family and multifamily units would still roughly estimate the number of residential units that receive these services from City forces versus those that pay for private hauling services. For this question, our Office analyzed data from the SANDAG Data Surfer (https://datasurfer.sandag.org/) on the number of single family versus multifamily household units by council district in order to provide an indication as to how City provided refuse services might be distributed geographically. The number of single-family housing units, multifamily housing units, and total units are displayed in Table 5 below. Further, the graph below also displays the proportion of single family units within each Council district and Citywide, the percentage of total Citywide single family units by district, the percentage of all housing units by district, and generalized ethnic and income data by district as well as Citywide.

Overall, 52.6% of total housing units Citywide are considered single family. Within a single district, District 3 contains the smallest proportion of single-family housing units, with a low of 26.0%, while District 4 has the highest proportion at 78.4% of units. In fact, single family units make up more than half of all household units within each council district, with the exception of District 3 and District 1. The total number of single family units is also spread out fairly evenly across the City, with a low of 7.9% of total single family units in District 8, and a high of 14.6% in District 5. With the exception of District 3 (8.8%) and District 9 (9.0%), the rest of the council districts contain between 11.1% and 12.5% of the City’s single-family housing units. For most districts, the total percentage of single-family units corresponds with the total percentage of housing units overall.

<table>
<thead>
<tr>
<th>Table 5</th>
<th>Housing Unit Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Council District</strong></td>
<td><strong>Single Family</strong></td>
</tr>
<tr>
<td>District 1</td>
<td>31,911</td>
</tr>
<tr>
<td>District 2</td>
<td>35,819</td>
</tr>
<tr>
<td>District 3</td>
<td>25,155</td>
</tr>
<tr>
<td>District 4</td>
<td>33,044</td>
</tr>
<tr>
<td>District 5</td>
<td>41,957</td>
</tr>
<tr>
<td>District 6</td>
<td>34,727</td>
</tr>
<tr>
<td>District 7</td>
<td>35,705</td>
</tr>
<tr>
<td>District 8</td>
<td>22,770</td>
</tr>
<tr>
<td>District 9</td>
<td>25,893</td>
</tr>
<tr>
<td><strong>Citywide</strong></td>
<td><strong>286,981</strong></td>
</tr>
</tbody>
</table>
Our Office also compared income and ethnicity data to the housing data, with all of the data sourced by the SANDAG Data Surfer. For income, the data divided up households into numerous income brackets, starting with groups from less than $15,000 up to $75,000 in $15,000 increments, and then up to $150,000 in $25,000 increments, and finally a group between $150,000 and $200,000 and then all others above $200,000. For the purposes of our graph, we split households into groups either below $100,000 or above $100,000, as this was the cut off in the data set closest to the most recent County Area Median Income of $95,100. For ethnicity, we display the percentage of the population which identify as one of numerous ethnicities, including Hispanic, Black, Asian, Pacific Islander, American Indian, Two or More, or Other. It is important to note that, based on the data set, the ethnicity, income, and housing unit data are all sourced from different original datasets. As such, we are unable to breakdown identifiers such as income or ethnicity into the housing unit data further than to just compare each council district with each other. Further, much of the data is sourced from the 2010 Census or based off of estimates from that point forward. As such, once new Census data is released for 2020, some data may change.

CONCLUSION

This report endeavors to answer the questions posed in a memorandum to our Office from Councilmember Elo-Rivera concerning the People’s Ordinance. These questions include: historic, current, and projected General Fund and other spending on refuse collection services; bonding capacity implications; Zero Waste policy implications; a comparison of what other cities charge for refuse collection services; and generalized geographic and demographic data on who receives there services under the People’s Ordinance as currently written.

In summary, the City is currently budgeted to spend $43.2 million in General Funds, and potentially up to $71.8 million total, in FY 2022 on refuse collection services. Almost all other cities charge their residents for these services. For the City to implement a refuse collection fee in order to cover these costs, a majority of City voters would need to approve a ballot measure to amend the People’s Ordinance to allow the City to charge for collection services. If that measure were to be adopted by the voters, the City would then need to conduct a cost of service study to set appropriate fee levels under Propositions 218 and 26, and the City Council would subsequently need to approve those fees.

Our Office would like to again thank the staff of the Environmental Services Department for their assistance and support in the production of this report. Our Office also stands ready to assist the Council and City Staff with any future next steps as requested on this issue.

Jordan More
Fiscal & Policy Analyst

Jeff Kawar
Deputy Director

APPROVED: Andrea Tevlin
Independent Budget Analyst
DATE: July 14, 2021

TO: Andrea Tevlin, Independent Budget Analyst

FROM: Councilmember Sean Elo-Rivera

SUBJECT: IBA Comprehensive Analysis of the People’s Ordinance

Background
In 1919, voters enacted Municipal Code §66.0127, known as the “People’s Ordinance”, which made it the City’s responsibility to collect and dispose of refuse. The People’s Ordinance was later amended to disallow the imposition of fees associated with City-provided refuse collection and clarify who is eligible for it. Today, most occupants of single-family homes and a handful of apartments receive free, City-provided refuse collection, while most apartment residents, businesses, and educational, medical, and government facilities must pay private haulers to pick up their waste.

As noted by three San Diego County Grand Juries – in 2005, 2008, and 2009 – the Ordinance leads to three untenable impacts:

- **Inequity** - Residents who are currently not receiving City-provided refuse collection pay twice for refuse collection – first, through various taxes and fees paid into the General Fund, which in turn support the City’s free refuse collection for which they are not eligible; then, directly to private haulers for their own refuse collection.

- **Environmental** – The inability to charge fees precludes a pay-as-you-throw or variable-rate system, which would incentivize residents to generate less waste and help the City achieve its waste diversion and recycling goals.

- **Fiscal** – General revenues required to support City-provided refuse collection prevents greater investment in General Fund-supported community programs and services that serve all residents, like libraries and parks.

Each Grand Jury report called on the City to place a measure on the ballot asking
voters to repeal or amend the People’s Ordinance to address these negative impacts, which it has not done.

Our office’s vision for San Diego is to be a world-class city for all with world-class public services for all. By being able to charge for refuse collection, the City could address the impacts highlighted above, while also enhancing refuse collection services to the level at which residents expect and deserve.

Following an amendment to the People’s Ordinance and a cost-of-service study, the City could, for example, increase the frequency of collections, as well as offer new or refurbished bins to residents at no cost upon request. Additionally, the general revenues currently dedicated to refuse collection could expand library services and hours, add and improve park space, or offer enhanced small business support services.

Driving our interest in the People’s Ordinance is a commitment to equity, sustainability, and transparency. Every person in every neighborhood deserves high-level public services and those services should be funded fairly. The City has a responsibility to be a good steward of the environment. And all San Diegans deserve to know how their tax dollars are contributing to the public good. It is increasingly challenging to further these goals with the current version of the People’s Ordinance in effect.

**Analysis Request**
The District 9 Office is formally requesting the Independent Budget Analyst (IBA) conduct a comprehensive analysis of the People’s Ordinance. To provide the City Council a full understanding of the People’s Ordinance’s equity, environmental, and fiscal impacts, my office requests the following be addressed in your analysis:

- People’s Ordinance cost to General Fund in FY 2022
- Projected People’s Ordinance cost to General Fund over next five years, to include anticipated SB 1383 implementation costs
- People’s Ordinance cost to General Fund in the last five fiscal years
- General Fund and enterprise fund bond capacity should City-provided refuse collection be supported by user fees, rather than the General Fund
- Impact of the People’s Ordinance’s to the City’s Zero Waste Plan goals
- Examples of city-provided refuse collection systems and fee models in peer cities in California and any programs to alleviate undue burden on low-income households
- Generalized demographic and geographic data for facilities receiving free City-provided refuse collection

Data such as collection route maps, Census tract- or block-level household income and race/ethnicity, and number and type of facilities receiving City-provided refuse collection would help the City Council understand if there are inequities associated with the People’s Ordinance beyond those stemming from the “double payment”
Recognizing demographic and geographic data can be sensitive information, I request that personally identifiable information (PII) is neither reviewed nor included in your analysis.

For any questions or concerns, please contact Maya Rosas, Deputy Chief of Staff, Ninth Council District, at rosasm@sandiego.gov or (619) 236-6699.

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