

**CITY OF SAN BERNARDINO  
INTEROFFICE MEMORANDUM  
CITY MANAGER'S OFFICE**

TO: Mayor and Common Council

FROM: Jim Smith, Interim Public Works Director 

THROUGH: Andrea Travis-Miller, Acting City Manager  
Jason Simpson, Director of Finance

SUBJECT: Integrated Waste Management Revenue and Expenditure Analysis

DATE: October 3, 2012

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This memorandum provides an analysis, based on FY 2011-12 projected actuals (unaudited), of the Integrated Waste Management Division (IWM). The purpose of this analysis was to identify the revenues and costs attributable to residential and commercial collection, and funding that had been allocated to administrative costs and internal service charges. Exhibit A is the FY 2012-13 Pre-Pending Plan for the Integrated Waste Fund that illustrates the financial condition of the IWM operations. Exhibit B is another presentation of the data from Exhibit A but in program level detail.

The revenue received by the IWM fund in FY 2011-12 is \$24.6 million while the total expenses were \$26.1 million. Collection rates remain at 2008 levels, and expenditures, which have increased, outpaced revenue. The financial Exhibits B, C and D prepared by the Public Works Department and reviewed by the Finance Department summarize revenues and expenditures, and describe operational costs, non-operational costs, and internal service charges and administrative costs impacting the City's General Fund.

Table 1 below summarizes the total revenues in FY 2011-12 and provides a breakdown of the three revenue categories: commercial, residential, and recycling. Of the \$24.6 million in revenue, \$12.5 is attributable to commercial accounts, \$11.5 million is attributable to residential accounts, \$165,000 is related to recycling, and \$414,000 is from miscellaneous receipts (includes \$250,000 South Coast Air Quality Management District as a Grant for LNG Truck purchase).

Expenditures categories include: direct transfers to the General Fund, street sweeping, recycling/environmental programs, right-of-way cleaning, IWM administration, IWM residential, IWM commercial, and additional expenses. The IWM operations cost is \$20.2 million. This includes \$4.6 million for administration, \$8.1 million for residential collection, and \$7.5 million for commercial collection. The revenue and expenditure summary below reveals there is a nominal difference for residential (\$3.4 million) collection and significant difference for commercial (\$5.0 million) accounts.

**Table 1:**

<b>Item—Operations</b>	<b>Revenue</b>	<b>Expenditures</b>
Commercial Collection	\$12.5 M	\$7.5 M
Residential Collection	\$11.5 M	\$8.1 M
Recyclables revenue	\$164,000	
IWM Administration		\$4.6 M
Miscellaneous Receipts	\$414,000	
<b>Total</b>	<b>\$24.6 M</b>	<b>\$20.2 M</b>

Exhibit C reflects the non-operational costs, which have been funded by IWM. Of the \$5.9 million noted in Table 2 below, \$3.7 million is a direct transfer to the General Fund for administration, lease of the yard and office space at City Hall, and administrative costs related to NPDES, graffiti abatement, and tree trimming. The remaining \$2.2 million also includes the direct costs related to the street sweeping, recycling/environmental, and right-of-way cleaning programs, and trash service at City facilities.

**Table 2:**

<b>Item—Non operations</b>	<b>Cost</b>
Street Sweeping	\$0.8 M
Recycling/Environmental	\$0.5 M
Right of Way	\$0.8 M
Graffiti Removal	\$0.1 M
Direct Transfer to General Fund	\$3.7 M
<b>Total</b>	<b>\$5.9 M</b>

Exhibit D reflects the total direct and indirect costs funded by IWM. This amount is \$10.6 million.

Without significant restructuring of the IWM program to create greater efficiency and reallocation of administrative and overhead expenses to a level that is supported by the nexus between IWM and the activity, the IWM is not expected to be able to sustain its funding of these activities.

The following strategies are under review to create the efficiencies needed:

### **Revenue**

1. The recycling revenue is extremely low. This is due to the ongoing scavenging as well as the high 'contamination' rate in recyclables (i.e., trash is placed with recyclables by residents). **Strategy:** Convert to a two-bin residential collection program and utilize a Material Recovery Facility (MRF). Under this program, one bin would be provided for green waste, and a second bin will be for all other waste. Material would be delivered to

the MRF and be sorted. Through the use of a MRF, it is anticipated recyclable revenue can be improved to approximately \$500,000 per annum.

2. The commercial revenue may be increased by an estimated \$200,000 per annum. **Strategy:** Charge all commercial accounts and reduce free trash service levels.

### **Expenditures**

1. The IWM operations cost is \$20.2 million. This includes \$4.6 million for administration, \$8.1 million for residential collection, and \$7.5 million for commercial collection. **Strategy:** Solicit cost proposals from vendors for residential collection and commercial collection. These costs can be compared directly to the City program costs to determine cost differences between the City and private sector.
2. The IWM non-operations cost is \$5.9 million. This includes direct transfers to the general fund (\$3.7M), and indirect transfers to other City programs. **Strategy:** Solicit cost proposals for street sweeping. Vendor cost can be compared to City cost for street sweeping.
3. As the City is working through several steps to reduce the labor force, the IWM expenditures will continue to also be reduced proportionately. **Strategy:** Examine salaries and benefit costs as well as internal service charges.



# *EXHIBIT A*

**CITY OF SAN BERNARDINO, CALIFORNIA**  
**FY2012-13 PRE-PENDENCY PLAN**  
**INTEGRATED WASTE (unaudited)**

Account Number	Description	2011 Audited Actual	2012 Projected Ending Actual*	PRELIMINARY OPERATING BUDGET	FY2012-13 PRE-PENDENCY PLAN	\$ Increase/ (Decrease)	% Increase/ (Decrease)
<b>Integrated Waste</b>							
<b>Revenues</b>							
	Commercial Bin Service	12,511,750	12,509,717	12,600,700	12,600,700	-	0%
	Residential collections	11,882,803	11,532,304	11,700,000	11,700,000	-	0%
	Recycling	138,495	164,828	160,700	160,700	-	0%
	Miscellaneous receipts	646,520	413,930	351,500	351,500	-	0%
	<b>Total Revenues</b>	<b>25,179,569</b>	<b>24,620,779</b>	<b>24,812,900</b>	<b>24,812,900</b>	<b>-</b>	<b>0%</b>
<b>Expenditures:</b>							
<b>Integrated Waste &amp; Recycling:</b>							
	Salaries and Benefits	5,466,779	5,095,451	6,319,174	5,368,696	(950,477)	-15%
	Maintenance and Operations	9,974,639	9,601,995	9,490,716	9,398,059	(92,657)	-1%
	Contractual Services	936,666	1,021,256	953,278	933,555	(19,723)	-2%
	Internal Service Costs	6,218,800	4,632,300	5,469,104	5,469,104	-	0%
	Capital Outlay	15,258	2,875	-	-	-	0%
	Debt Service (interest only)	<i>a</i> 435,680	395,663	308,974	308,974	-	0%
	<i>subtotal</i>	23,047,821	20,749,540	22,541,246	21,478,389	(1,062,857)	-5%
	<b>Net Revenues over/(under) expenditures</b>	<b>2,131,747</b>	<b>3,871,239</b>	<b>2,271,654</b>	<b>3,334,511</b>	<b>1,062,857</b>	<b>-47%</b>
<b>Other Expenditures:</b>							
	Graffiti Abatement	155,711	45,908 <i>b</i>	- <i>c</i>	-	-	0%
	Street Sweeping	413,413	825,266 <i>d</i>	879,812	879,812	-	0%
	Right of Way Cleaning/Weed Control	555,215	833,850 <i>d</i>	875,869	875,869	-	0%
	<i>subtotal</i>	1,124,339	1,705,023	1,755,680	1,755,680	-	0%
	<b>Net Revenues over/(under) expenditures</b>	<b>1,007,408</b>	<b>2,166,216</b>	<b>515,974</b>	<b>1,578,831</b>	<b>1,062,857</b>	<b>-206.0%</b>
	<b>Transfers In</b>	65,000	65,000	65,000	-		
	<b>Transfers Out</b>	(3,512,500)	(3,721,800)	-	-		
	<b>Net Transfers</b>	<b>(3,447,500)</b>	<b>(3,656,800)</b>	<b>65,000</b>	<b>0</b>		
	<b>Net Change in Fund Balance</b>	<b>(2,440,092)</b>	<b>(1,490,584)</b>	<b>580,974</b>	<b>1,578,831</b>		
	<b>Beginning Net Assets, July 1</b>	<b>1,515,800</b>	<b>(924,292)</b>	<b>(2,414,876)</b>	<b>(2,414,876)</b>		
	<b>Ending Net Assets, June 30</b>	<b>(924,292)</b>	<b>(2,414,876) #</b>	<b>(1,833,902)</b>	<b>(836,045)</b>		

# = See Exhibit B on Page 7

\*Please note that the City's financial records have not been closed or audited for FY 2011-2012, accordingly, there may be some adjustments to these amounts as we prepare financial reconciliations and adjustments to the accounting ledgers for FY 2011-2012.

a. Debt services includes interest expense only. Principal payments were slightly under \$2.7 million for FY 2011-2012, and are projected to be slightly over \$2.7 million for FY 2012-2013.

b. Decrease in expenses due to the reallocation of graffiti abatement to the General Fund for FY2012-13.

c. Graffiti abatement is budgeted in the General Fund only, where most of the expenses are recorded as well.

d. Increases in FY 2011-2012 due to the implementation of an updated cost allocation plan for internal service charges.



## *EXHIBIT B*

City of San Bernardino  
 Selected Analysis of Revenues, Expenses, Transfers and Changes in Fund Balance  
 Fiscal Year Ended June 30, 2012 (Unaudited)

EXHIBIT B

Revenues	Budgeted	Actuals
Commercial	\$ 12,479,100	\$ 12,509,717
Residential	13,543,300	11,532,304
Recycling	160,700	164,828
Miscellaneous receipts	607,700	413,930
Transfer In	65,000	65,000
<b>Total</b>	<b>\$ 26,855,800</b>	<b>\$ 24,685,779</b>

Expenditures		
Direct Transfers to General Fund--non ops	Per FY 11/12 adopted budget	Actuals
Administration	\$ 2,690,700	\$ 2,690,700
Yard Lease	600,000	600,000
City Hall Lease	55,200	55,200
NPDES Position	66,600	66,600
Graffiti Program	239,300	239,300
Tree Trimming	70,000	70,000
<b>Direct Transfers</b>	<b>\$3,721,800</b>	<b>\$3,721,800</b>

Program: Street Sweeping--non ops	Budgeted	Actuals
Salaries and benefits	\$ 323,400	\$ 314,450
Dump fees, materials and supplies, etc.	156,400	42,819
Internal Service Charges	438,700	438,700
Debt Service (Interest Expense only)	29,297	29,297
<b>Street Sweeping</b>	<b>\$ 947,797</b>	<b>\$ 825,266</b>

Program: Recycling/Environmental--non ops	Budgeted	Actuals
Salaries and benefits	\$ 178,700	\$ 109,260
Waterman Landfill Monitoring	247,500	185,440
SB County HHW	301,000	215,596
Materials and Supplies	38,600	10,707
Internal Service Charges	23,700	23,700
Grant Credit	(5,000)	-
<b>Recycling/Environmental</b>	<b>\$ 784,500</b>	<b>\$ 544,703</b>

Program: Right of Way Cleaning--non ops	Budgeted	Actuals
Salaries and benefits	\$ 559,500	\$ 588,562
Materials and supplies, small tools, rentals	71,800	49,265
Professional/contractual Services	22,000	19,723
Internal Service Charges	176,300	176,300
<b>Right of Way Cleaning</b>	<b>\$ 829,600</b>	<b>\$ 833,850</b>

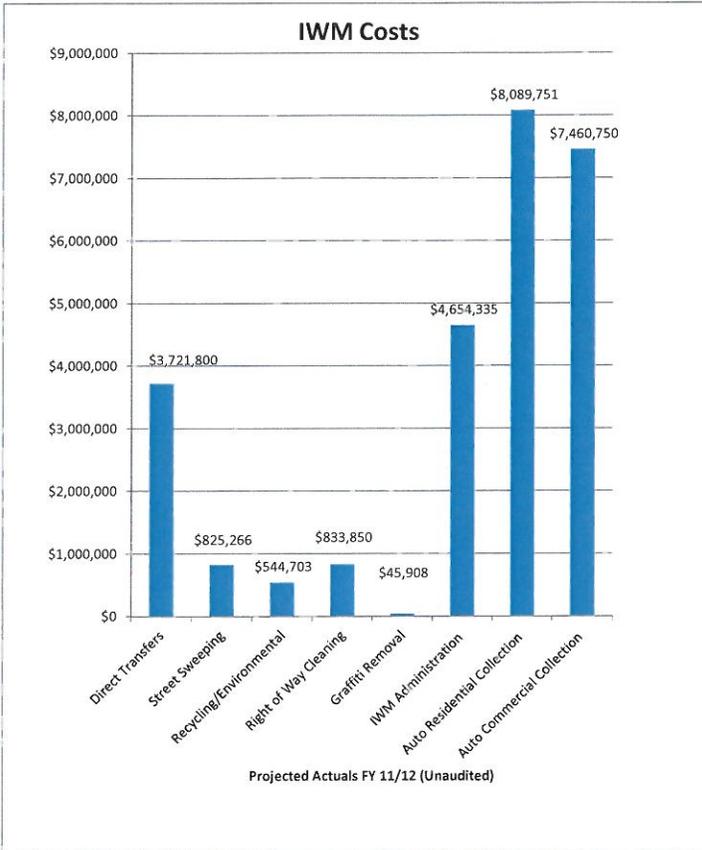
Program: Graffiti Removal--non ops	Budgeted	Actuals
Salaries and benefits	\$ -	\$ 45,908
<b>Graffiti Removal</b>	<b>\$ -</b>	<b>\$ 45,908</b>

Program: IWM Administration--ops	Budgeted	Actuals
Salaries and benefits	\$ 492,800	\$ 439,900
M&O	116,400	101,719
Contractual Services	573,200	581,320
Internal Service Charges	249,500	250,126
Bad Debt Expense	-	130,000
Depreciation Expense	3,148,395	3,148,395
Miscellaneous Equipment & Expenses	5,400	2,875
<b>IWM Administration</b>	<b>\$ 4,585,695</b>	<b>\$ 4,654,335</b>

Program: IWM Residential--ops	Budgeted	Actuals
Salaries and benefits	\$ 2,446,800	\$ 2,136,286
Dump fees, materials and supplies, etc.	3,081,100	3,074,387
Contractual Services	41,900	38,900
Internal Service Charges	2,562,700	2,562,700
Debt Service (Interest Expense only)	277,478	277,478
<b>Auto Residential Collection</b>	<b>\$ 8,409,978</b>	<b>\$ 8,089,751</b>

Program: IWM Commercial Collection--ops	Budgeted	Actuals
Salaries and benefits	\$ 2,404,300	\$ 2,410,006
Dump fees, materials and supplies, etc.	3,263,200	3,136,159
Internal Service Charges	1,796,400	1,796,400
Debt Service (Interest Expense only)	118,185	118,185
<b>Auto Commercial Collection</b>	<b>\$ 7,582,085</b>	<b>\$ 7,460,750</b>

<b>Total Expenses</b>	<b>\$ 26,861,455</b>	<b>\$ 26,176,363</b>
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	Unaudited Actuals
Total Revenues & Transfers In	\$ 24,685,779
Total Expenses & Transfers Out	26,176,363
Net Deficit	(1,490,584)
Beginning Fund Balance	(924,292)
Ending Fund Balance	<b>\$ (2,414,876)</b> <sup>#</sup>

# = See Exhibit A

\*Please note that the City's financial records have not been closed or audited for FY 2011-2012, accordingly, there may be some adjustments to these amounts as we prepare financial reconciliations and adjustments to the accounting ledgers for FY 2011-2012.



# *EXHIBIT C*

City of San Bernardino  
 Selected Analysis of Non-Operating Costs & Transfers Out  
 Fiscal Year Ended June 30, 2012 (Unaudited)

**Additional Detail: Non Ops Expenditures**

Direct Transfers to General Fund	Actuals
Administration	\$ 2,690,700
Yard Lease	600,000
City Hall Lease	55,200
NPDES Position	66,600
Graffiti Program	239,300
Tree Trimming	70,000
<b>Direct Transfers to General Fund</b>	<b>\$ 3,721,800</b>

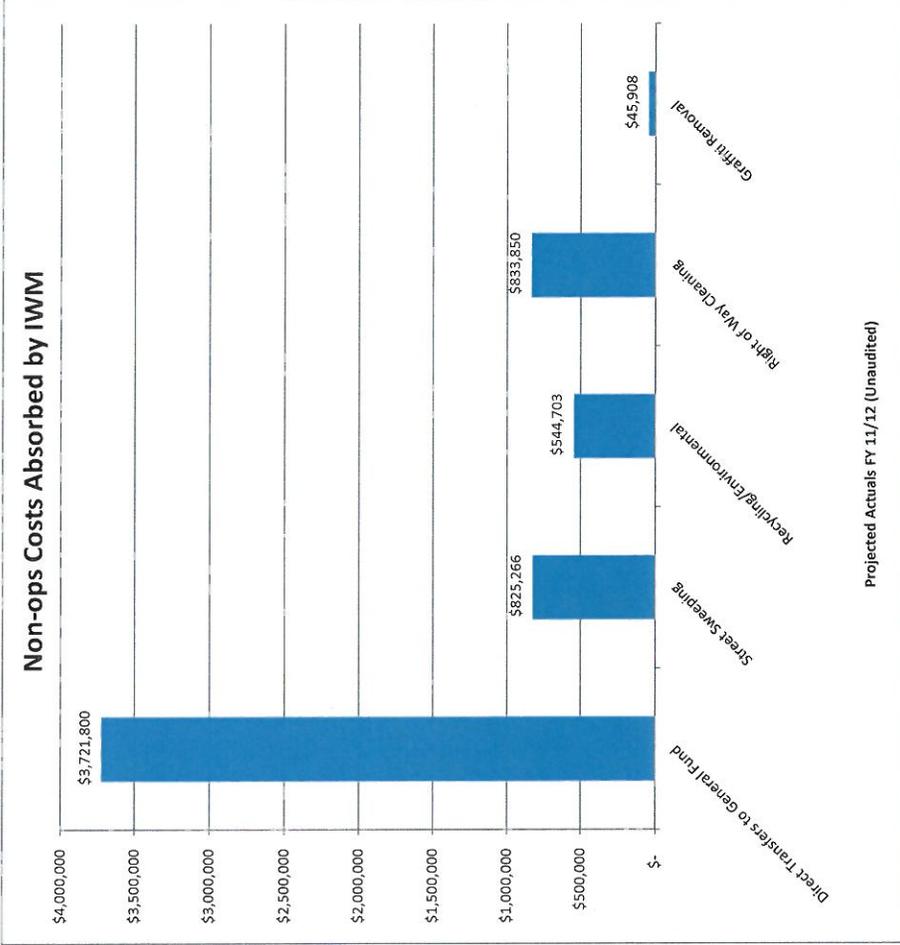
Program: Street Sweeping	Actuals
Salaries and benefits	\$ 314,450
Dump fees, materials and supplies, etc.	42,819
Internal Service Charges	438,700
Lease Payments	29,297
<b>Street Sweeping</b>	<b>\$ 825,266</b>

Program: Recycling/Environmental	Actuals
Salaries and benefits	\$ 109,260
Waterman Landfill Monitoring	185,440
SB County HHW	215,596
Materials and Supplies	10,707
Internal Service Charges	23,700
Grant Credit	-
<b>Recycling/Environmental</b>	<b>\$ 544,703</b>

Program: Right of Way Cleaning	Actuals
Salaries and benefits	\$ 588,562
Materials and supplies, small tools, rentals	49,265
Professional/contractual Services	19,723
Internal Service Charges	176,300
<b>Right of Way Cleaning</b>	<b>\$ 833,850</b>

Program: Graffiti Removal--non ops	Actuals
Salaries and benefits	\$ 45,908
<b>Graffiti Removal</b>	<b>\$ 45,908</b>

<b>Total: Non-ops Expenses</b>	<b>\$ 5,971,526</b>
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# *EXHIBIT D*

City of San Bernardino  
 Selected Analysis of Indirect & Direct Costs  
 Fiscal Year Ended June 30, 2012 (Unaudited)

Revenues needed to cover current indirect/direct costs

Direct Transfers Out	Actuals
Administration	\$ 2,690,700
Yard Lease	600,000
City Hall Lease	55,200
NPDES Position	66,600
Graffiti Program	239,300
Tree Trimming	70,000
<b>County HHW/Waterman Landfill</b>	
Waterman Landfill Monitoring	185,440
SB County HHW	215,596
<b>Internal Service Charges</b>	
Street Sweeping: Internal Service Charges	438,700
Recycling Environmental: Internal Service Charges	23,700
Right of Way: Internal Service Charges	176,300
IWM Administration: Internal Service Charges	250,126
IWM Residential: Internal Service Charges	2,562,700
IWM Commercial: Internal Service Charges	1,796,400
Right of Way Cleaning	657,550
Graffiti Removal	45,908
Street Sweeping Service	386,566
Environmental Programs	119,967

Revenues needed to cover current indirect/direct costs\* **\$ 10,580,753**

\* assumes vendor will provide customer service, dispatch, complaints, etc.

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