

Non-Planning Public Hearing Item P

November 16, 2021

**DOCKET
ITEM NPPH-P**

NPPH (P)

AN ORDINANCE AMENDING CHAPTER 62 OF THE CITY CODE, ENTITLED “SOLID WASTE,” TO ENACT SECTION 62-67 TO IMPLEMENT A MONTHLY SOLID WASTE AND RECYCLING FEE-CITY MANAGER

As noted in the attached memorandum from the City Manager, the City is experiencing significant labor market challenges that have impacted and will continue to impact our ability to provide essential services. The current market volatility is particularly severe in a few core areas including solid waste, public safety, emergency response and critical infrastructure. The City has completed several stopgap measures to ensure the continuation of services; however this is not a sustainable long-term strategy for the future, particularly given the nature of the services we provide.

The most significant cost driver of these services is personnel and City Council has made the classification and compensation study of our employees its top priority. Staff was directed to bring forward possible funding sources for the implementation of the plan, including a solid waste fee, as quickly as possible. The addition of this fee was selected because we are the only major City in Hampton Road that does not have this fee and even upon implementation, we could retain our current position as having the lowest combination of taxes and fees among those cities. In addition, it would establish a dedicated funding source for solid waste collection that would recognize the essential nature of the service and allow it to be operated as an independent business line.

Given the emphasis Council has placed on implementing the classification and compensation study, and the allowance for deviation from our adopted budget guiding principles to achieve Council priorities, the City Manager has provided several options for City Council to consider. A full description of each is provided in the memorandum.

Option 1: Establish a solid waste fee and recycling fee.

- A. Adopt a solid waste fee of \$14/month
- B. Adopt a solid waste fee of \$22/month
- C. Adopt a solid waste fee of \$27/month

If Council chooses this option, staff members recommend option C to implement a program as a full cost recovery service and continue our curbside recycling. This option also generates enough revenue to immediately implement the public safety pay plan upon adoption of the plan by Council, implement the general workforce pay plan upon completion and adoption by Council, and to either address other Council priorities (e.g. public safety training facility) or allow for reduction in other taxes and fees (or both).

Option 2: Do not establish a solid waste fee and recycling fee. Implement options presented on November 9. This option would include a series of alternatives that do not include a trash fee, which are highlighted in full in the memorandum from the City Manager.

Option 3 – Do not establish a solid waste fee and recycling fee. Complete the entire pay plan study (public safety and general workforce), finalize all recommendations, and bring forward an implementation plan as part of the FY 23 budget. This option would allow city Council to consider the implantation of the pay plan in its entirety and identify the combination of expenditure reductions and revenue increases necessary to fully fund and sustain the plan.


Each of the options presented above can provide the capacity to implement the classification and compensation study. Option 1 is consistent with the direction that Council has given staff to date and provides the most reliable funding source to sustain the pay plan, but it does require establishment of a new fee. Option 2 provides a near term implementation strategy and is consistent with your budget guiding principles, but will have impacts to programs and services that we will need to address in the existing budget year and subsequent years in order to sustain the pay plan in the future and address other Council priorities. Option 3, while providing a pathway to implementation, delays that implementation until at least July 2022. As a result, we would continue to rely on short term measures to ensure that we are able to continue to provide services.

Presented to City Council is an ordinance amending Chapter 62 of the City Code, entitled "Solid Waste," to enact Section 62-67 to implement a monthly solid waste and recycling fee.

Staff: Christopher Price, City Manager

MEMORANDUM

TO: The Honorable Mayor and Members of City Council

FROM: Christopher Price, City Manager 

DATE: November 12, 2021

SUBJECT: Ordinance Establishing a Solid Waste and Recycling Fee

The City is experiencing significant labor market challenges that have impacted and will continue to impact our ability to provide essential services. This market volatility has been particularly severe in a few core areas including solid waste, public safety, emergency response, and critical infrastructure. Thus far, we have been able to manage our way through this situation by utilizing short term measures including bonuses and targeted reductions in service levels (e.g. trash pickup), however we've also experienced service level reductions in areas that we can't manage in traditional ways, such as increased emergency response times due to a shortage of dispatchers. While we will continue to utilize short term measures such as those noted above, it is not a sustainable long-term strategy; particularly given the critical nature of some of the services that we provide.

As you know, it is very expensive to recruit and train new employees and the cost of turnover is significant, both from a budgetary perspective as well as in the reduced service levels experienced by our citizens and businesses. City Council has long recognized this and has implemented policy choices to ensure that we remain competitive in the labor market. In early 2020, Council directed staff to prepare a classification and compensation study to ensure that we establish and maintain a position within the top three in our market. This past summer, some of our neighboring jurisdictions significantly increased public safety pay and established recruitment programs to incentivize our sworn law enforcement officers to leave the City. In response, we implemented a bonus program for sworn law enforcement officers and accelerated the public safety portion of the classification and compensation study. At the September 29th retreat, Council reaffirmed that implementing the study's recommendations is the top priority and directed staff to bring forward possible funding sources, including a potential solid waste fee, as quickly as possible. The solid waste fee was chosen because we are the only one of the seven Hampton Roads cities that does not have this fee and because even after implementing the fee we could retain our current position as having the lowest combination of taxes and fees among those cities. In addition, it would establish a dedicated funding

source for solid waste collection that would recognize the essential nature of the service and allow for it to be operated as an independent business line.

However, throughout this process, we have been consistent in noting that our choices to fund the pay study include reductions in existing expenditures, new revenues, or some combination of the two. As such, on November 9th, I presented information regarding alternatives to the solid waste fee so that you would have complete information prior to making your choice. A public hearing is scheduled for November 16th in order to preserve the opportunity for Council to consider a solid waste fee should you so choose.

As noted above, Council has made policy choices to ensure we are competitive in the labor market. In addition, Council has adopted budget guiding principles to consider as we make choices. Those principles are:

- No increase in the real estate tax rate
- Do not add new fees
- Do not supplant losses in state or federal funds with local funds
- Deviation from above only when addressing Council's strategic priorities

This is the lens we use when making our recommendations. Given that Council has reaffirmed implementation of the classification and compensation study's recommendations as the top priority, we have prepared the following options that are consistent with your pay philosophy, budget guiding principles, the information that has been previously shared with you, and the direction that you've given to date. As the goal of each option is the same (i.e. implementing the classification and compensation study), the focus of each option presented below is on the funding and timing mechanisms to achieve that goal and any resultant impacts to programs and services.

Option 1 – Establish solid waste fee and recycling fee

This allows for full implementation of the pay plan as quickly as possible, maintains our curbside recycling program, provides capacity to address other Council priorities, and allows us to retain our current position as having the lowest combination of taxes and fees in the region. It is also consistent with Council's budget guiding principles should you determine that implementing the pay plan is a strategic priority. As previously noted, the choices to fund the pay plan include reductions in existing expenditures, new revenues, or some combination of the two, and implementation of the full pay plan does not need to rely solely on new revenues. As such, should Council choose to implement a solid waste fee, three options are presented for your consideration:

- A. Adopt a solid waste fee of \$14/month – generates enough revenue to immediately implement the public safety pay plan upon adoption of the plan by Council
- B. Adopt a solid waste fee of \$22/month – generates enough revenue to immediately implement the public safety pay plan upon adoption of the plan by Council and to implement the general workforce pay plan upon completion and adoption by Council
- C. Adopt a solid waste fee of \$27/month – fully funds our trash and recycling service as an independent business line and generates enough revenue to immediately implement the public safety pay plan upon adoption of the plan by Council, implement the general workforce pay plan upon completion and adoption by Council, and to either address other Council priorities (e.g. public safety training facility) or allow for reduction in other taxes and fees (or both)

If Council chooses to implement a solid waste fee, staff recommends implementing the program as a full cost recovery service (\$27/month) and to continue our curbside recycling program.

We have received some questions about whether or not we can implement a trash fee and eliminate curbside recycling in order to reduce the amount of the fee. While the short answer is yes, the cost savings per household is relatively low (approximately \$2.50 per month) and as such staff does not recommend implementing a solid waste fee and eliminating curbside recycling. However, regardless of the option selected, we will continue to examine ways to both improve our recycling performance and reduce costs.

Option 2 – Do not establish a solid waste fee and recycling fee. Implement the options presented on November 9th.

On November 9th, staff presented a series of alternatives that do not include a solid waste fee. Option 2 reflects those alternatives. This option is consistent with your budget guiding principles, allows for implementation of the pay plan subject to Council policy choices and budget actions (listed below), and allows us to retain our current position as having the lowest combination of taxes and fees in the region. If this option is selected, we will bring forward an implementation plan utilizing the following policy actions:

- Eliminate curbside recycling
- Redirect one penny of the real estate tax from the City lock box to the operating budget and pursue non-local funds (e.g. federal infrastructure spending) to advance capital improvement program projects. Project revenues will be shifted throughout the CIP and funding may need to be delayed or eliminated for a number of currently programmed projects.
- Eliminate long term vacancies

- Direct staff to prepare FY 23 budget declaring the maximum possible Tax Increment Financing (TIF) surplus and retain all TIF surplus funds (this is a deviation from recent practice of splitting the surplus with the schools but is consistent with our historic practice)
- Identify new recurring revenues through the FY 23 budget process in order to sustain the plan
- Direct staff to review subsidies to state functions for possible elimination
- Raise existing fees (e.g. permits) to be competitive in the market and/or to full cost recovery
- Give City Manager additional authority to transfer funds. This will help to enable the pay plan to be funded using budgeted, but unspent operating funds by transferring these funds where needed during the fiscal year, but in and of itself is not a sustainable strategy and does not supplant the need to implement the above referenced items.

If Council chooses this option, we will bring forward the steps necessary to implement the pay study and to adopt the policies necessary to fund that implementation. In order to expedite implementation, we would fund the pay plan with one-time funds (e.g. bonuses) for the remainder of FY 22 and fully fund the pay plan utilizing the actions listed above for FY 23 and beyond. Please note that while we can implement the pay plan with no new revenue sources (assuming Council takes the actions noted above), in order to sustain the pay plan moving forward, the FY 23 budget will likely need to include some new revenue sources. In addition, we will not be able to advance many other Council priorities until such time that alternative funding is secured. Unless directed otherwise, when considering new revenue sources, we will continue to utilize Council's budget guiding principles and ensure a competitive position within the market. If Council selects this option, we will immediately begin to bring forward the agenda items necessary to effectuate.

Option 3 – Do not establish a solid waste fee and recycling fee. Complete the entire pay plan study (public safety and general workforce), finalize all recommendations, and bring forward an implementation plan as part of the FY 23 budget.

This option would allow Council to consider implementation of the pay plan in its entirety, weigh it against all other budget choices, and identify the combination of expenditure reductions and revenue increases necessary to fully fund and sustain the plan. However, it delays implementation and continues to rely on short term measures to ensure adequate staffing.

Summary

Each of the options presented above can provide the capacity to implement the classification and compensation study. Option 1 is consistent with the direction that Council has given staff to date

and provides the most reliable funding source to sustain the pay plan, but it does require establishment of a new fee. Option 2 provides a near term implementation strategy and is consistent with your budget guiding principles, but will have impacts to programs and services that we will need to address in the existing budget year and subsequent years in order to sustain the pay plan in the future and address other Council priorities. Option 3, while providing a pathway to implementation, delays that implementation until at least July 2022. As a result, we would continue to rely on short term measures to ensure that we are able to continue to provide services.

As always, we are committed to helping you address your priorities and to implement whichever course Council chooses. Please contact me if you have any questions or if you would like any additional information.

/CMP

AN ORDINANCE AMENDING CHAPTER 62 OF THE CITY CODE, ENTITLED "SOLID WASTE," TO ENACT SECTION 62-67 TO IMPLEMENT A MONTHLY SOLID WASTE AND RECYCLING FEE.

BE IT ORDAINED by the Council of the City of Chesapeake, Virginia, that Chapter 62 of the Chesapeake City Code, entitled "SOLID WASTE", be amended as follows:

Sec. 62-67. Solid Waste and Recycling Collection Fee; Billing and Collection.

(a) Generally. The rates for city solid waste and recycling collection services shall be fixed from time to time by the city council on recommendation of the director of public works and the city manager. Billing for the prescribed rates shall commence immediately following the issuance of a certificate of occupancy for a property eligible for collection under section 62-61 and initial delivery of city issued automated containers. Twenty-seven dollars (\$27.00) per month shall be charged to each address eligible for service.

(b) Billing and payment; penalties and liens.

(1) The fee shall be paid by the owner of the real property on which, or within which, the residential dwelling unit or business unit is situated. The fee is due 30 days after the date of the bill.

(2) This fee billing may be placed in the same billing notice as the bill for real property. If the monies received in payment of the real estate tax bill and the solid-waste-collection fee are not sufficient to pay both in full including any penalties or interest, the tax bill and any penalties or interest attributed thereto shall be paid first out of the monies available

(3) Billing for the fee shall be rendered on a quarterly basis, or such billing cycle as the Director of Public Works determines, to all chargeable property owners and shall represent charges for the preceding three (3) months of service, and shall include any

unpaid balances, interest, penalties, administrative, and collection fees on an account.

(4) Any bill which has not been paid following 30 days after the bill date shall be deemed delinquent and shall be collected by the city treasurer. All payments, interest, and costs of collection due may be recovered by action at law or suit in equity, and if billed to the property owner(s) shall constitute a lien against the property, ranking on parity with liens for unpaid taxes.

(5) If charges are not paid when due, interest thereon shall accrue at a rate equal to the judgment rate of interest established by state law until such time as the overdue payment and interest is paid. Partial payments shall be applied to the oldest delinquent solid waste and recycling fee, and remaining charges shall continue to accrue interest and penalties.

(6) Refunds will not be provided for vacant units, nor for services not utilized.

(c) *New properties brought into service.* When new properties are brought into the system for service, fees will accrue commencing with the issuance of a certificate of occupancy on any property. An invoice will be issued in the next billing cycle and will be prorated for the number of full months in which service was provided.

(d) *Effective Date.* The fee shall become effective July 1, 2022.

ADOPTED by the Council of the City of Chesapeake, Virginia on this 16th day of November, 2021.

APPROVED:

Mayor

ATTEST:

Clerk of the Council

APPROVED AS TO FORM:



City Attorney