CITY OF BOULDER
CITY COUNCIL AGENDA ITEM

MEETING DATE: July 21, 2009

AGENDA TITLE: Introduction, first reading and consideration of a motion to order published by title only four ordinances amending Section 3-10-2, "Imposition of Occupation Tax," B.R.C. 1981, raising the rates of the trash tax.

PRESENTER/S:
Jane S. Brautigam, City Manager
Paul Fetherston, Deputy City Manager
Jerry Gordon, City Attorney
David Gehr, Assistant City Attorney
David Driskell, Executive Director of Community Planning
Ruth McHeyser, Deputy Director of Community Planning
Jonathan Koehn, Manager of Environmental Affairs
Elizabeth Vasatka, Environmental Coordinator

EXECUTIVE SUMMARY:
The purpose of this agenda item is to introduce four ordinance options for increasing the trash tax to fund a permanent site for relocating the Eco-Cycle office, the Center for Hard-to-Recycle Materials (CHaRM) and the Center for ReSource Conservation's (CRC) ReSource used building material sales yard. Four options are provided so that council can consider a range of tax increase options. Staff is recommending that council approve one of these ordinances at second reading on August 18.

On May 19, City Council voted in support of contributing up to $5.7 million for the relocation of the Eco-Cycle office, the CHaRM and ReSource, to be funded by a bond that will be paid back by an increase to the trash tax within the voter-approved maximum. Because the city has already set aside $1 million for the project, the bond amount would be $4.7 million, plus $100,000 for the bond issuance fee, totaling $4.8 million. At the July 7 council meeting, staff presented three tax increase options that would generate the revenue needed to pay back a $4.8 million bond over 20 years. Council decided to discuss the options at their July 21 meeting.

The process of issuing and receiving funding from a bond will take at least three months. Because of the anticipated time gap between bond funding and purchase of a site, Boulder County, as partner on the project, has agreed to provide the upfront funding for the site purchase. The county indicated that it would like the city to pay back the upfront funding by the end of this year. To allow enough time for the bond to be issued and

funded to pay back the county by the end of the year, this agenda item is being presented to council as a first reading.

This memo presents four trash tax rate increase options: the three from the July 7 memo and a fourth, maximizing the tax rate for all trash customers. The fourth option has been added because a new possible purchase scenario was discussed at the July 7 meeting with Commissioner Toor. If both 6400 Arapahoe Ave. and the brickyard site were purchased for waste reduction activities, then maximizing the tax might be necessary. Staff will analyze the feasibility and cost of this scenario, as well as the cost of possible additional construction and secondary access for 6400 Arapahoe Ave., and provide a recommendation on the tax increase options on August 18. Staff's recommendation at this time is for council to introduce the four ordinances on July 21 and then select one for approval on August 18.

STAFF RECOMMENDATION:

Suggested Motion Language:
Staff requests council consideration of this matter and action in the form of the following motion:
A motion to introduce, pass on first reading and order published by title only four ordinances amending Section 3-10-2, "Imposition of Occupation Tax," B.R.C. 1981, raising the rates of the trash tax.

COMMUNITY SUSTAINABILITY ASSESSMENTS AND IMPACTS:

The community sustainability assessments and impacts are included in the July 7, 2009 council packet: www.bouldercolorado.gov/files/Clerk/Agendas/2009/07-07-09/5c.pdf

OTHER IMPACTS:

Fiscal: The trash tax rate increase options will generate approximately $400,000-$600,000 per year. This additional tax revenue will be used to pay back the bond that will fund the purchase of and improvements for a permanent site for the Eco-Cycle office, CHaRM and ReSource. Revenue above $480,000 - the amount needed to payback the maximum bond amount, $6 million – could be used for additional waste reduction programs or infrastructure.

PUBLIC FEEDBACK:

Most of the public feedback on this project has related to the purchase of 6400 Arapahoe Ave. and potential impacts that its waste reduction uses may have on nearby neighborhoods, Sombrero Marsh and Arapahoe Avenue. Some members of the public raised concerns about the purchase price and questioned the prudence of spending $5.45 million for the site in the current economic climate. Other comments expressed support for the trash tax increase to relocate and expand the Eco-Cycle office, CHaRM and ReSource.

BACKGROUND:
On May 19, 2009, City Council considered funding scenarios for securing a permanent site and buildings for the relocation and expansion of the Eco-Cycle office, CHaRM and ReSource. Council voted in support of city funding up to $5.7 million, to be paid by the approximately $1 million currently set aside and by an increase to the trash tax within the maximum approved by voters in 1994. Council also directed staff to work with Boulder County on acquiring and funding a site.

Two possible sites are currently under consideration: the four-acre brickyard parcel associated with the Western Disposal annexation and 6400 Arapahoe Ave. The city has an option to purchase the brickyard parcel until January 2011. The county is under contract to purchase 6400 Arapahoe Ave., with the expectation that the city will participate in the purchase consistent with council's vote on May 19.

On July 7, council reviewed a comparison of the two sites, including the costs for each. The brickyard site is estimated to cost the city $5.7 million, including construction of a new, sustainable 28,000 square-foot building. The 6400 Arapahoe Ave. site would use existing buildings on the site, totaling 37,000 square feet (24,000 square feet of interior space and 13,000 square feet of covered outdoor storage), and is estimated to cost $4.8 million. This amount includes building and site repairs and remodeling, improvements to the existing access, annexation costs and interest to the county, but does not include additional construction or associated site improvement requirements. The estimated costs for the latter two items will be presented in the August 18 council memo, but is expected to bring the total city cost to at least $5.7 million.

ANALYSIS:.
Four options are detailed in **Attachment E** for increasing the trash tax. Options 1 through 3 would generate an additional $400,000 per year, the revenue needed to pay back a $4.8 million bond, which, with the $1 million already set aside for the project, would fund a city contribution of $5.7 million. These options represent a moderate to significant tax increase, with each option varying the rate increase by trash customer type: commercial trash customers and five different residential trash service levels. Option 4 maximizes the trash tax increase for all customer types to the voter-approved maximum rates. It would generate approximately $600,000 per year.

The trash tax ballot language allows the city to bond up to $6 million, including $100,000 for the bond issuance fee, netting up to $5.9 million for project costs. This bond amount equates to a payback of $480,000 per year for 20 years. The $120,000 per year difference between payback of the maximum bond and revenue from the maximum tax could be used for additional waste reduction programs or infrastructure.

The trash tax increase options for commercial trash customers range from no increase (Option 1) to an additional $0.11 cents per cubic yard, the allowed maximum for the commercial sector (Option 3). Option 2 increases commercial rates by $0.06 per cubic yard, roughly midway between options 1 and 3.

There are several options for increasing residential tax rates, with varying increases for each residential service level. However, in order to generate the needed revenue, the largest increase must come from the majority of residential customers, which is one can - 32-gallon trash per week.

Option 1

In Option 1 the one can – 32 gallon trash customers experience the largest tax increase and the commercial tax rate is not increased at all. This option attempts to remedy the fact that historically businesses have paid 75 percent of the trash tax revenue, but only 20 percent of the tax revenue has been spent on programs and services for the commercial sector. Additionally, the trash tax rate for one can – 32 gallon trash customers has not been increased since the inception of the tax in 1990. When the pay-as-you-throw rate structure went into effect in 2001, residential service levels received a tiered tax structure, but the one-can rate remained the same. Residents in multi-family units who use centralized dumpsters (provided by the HOA or property management company) are billed as commercial customers and therefore would not experience a rate increase under Option 1.

Option 2

Option 2 more evenly distributes the increase among the four residential services levels and raises the commercial sector rate by $0.06 per cubic yard. The commercial tax increase would effect multi-family residents minimally, because the average service level for a multi-family complex is relatively small (about 34 cubic yards per month), which equals to a $2.04 increase per month per complex.

Option 3

In Option 3 the residential tax increase is tiered, with the lower the service levels experiencing the lowest tax increase of all the options. The commercial tax would increase by $0.11 to the maximum allowed rate of $0.85 per cubic yard. The impact on multi-family residents would still be minimal, due to the factors above; however, the dollar impact would be $3.74 increase per month per complex.

Option 4

Option 4 maximizes the rates for all trash customers. The commercial rate would increase by $0.11 per cubic yard, and the residential rate increases would range from none (96-gallon service level is already at the $3.50 maximum) to $3.35 per month (for pre-paid bag service). The majority of residential customers would pay an additional $2.40 per month.

The ordinances for each option are provided in **Attachments A - D.** Staff will provide a recommendation on the tax increase options on August 18, based on an analysis of the feasibility and cost of the different purchase scenarios.

Approved By:

Jane S. Brautigam

Jane S. Brautigam,
City Manager

ATTACHMENTS:

A. Trash Tax Ordinance for Option 1
B. Trash Tax Ordinance for Option 2
C. Trash Tax Ordinance for Option 3
D. Trash Tax Ordinance for Option 4
E. Trash Tax Increase Options 1 through 4

ORDINANCE NO. _____

AN ORDINANCE AMENDEING SECTION 3-10-2, "IMPOSITION OF THE OCCUPATION TAX," B.R.C. 1981, RAISING THE PER MONTH RATES OF THE TRASH TAX FOR A 32 GALLON RESIDENTIAL SERVICE TO $3.35; FOR A 64 GALLON RESIDENTIAL SERVICE TO $3.50; FOR THE PER BAG RATE TO $0.38; AND FOR THE BI WEEKLY COLLECTION RATE TO $1.50 AND SETTING FORTH RELATED DETAILS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BOULDER, COLORADO:

Section 1. Section 3-10-2, B.R.C. 1981, is amended to read:

3-10-2 Imposition Of Occupation Tax.

(a) No hauler furnishing trash collection services in the city shall fail to pay to the city manager the occupation tax, prescribed by subsection (b) of this section, upon such services.

(b) Every hauler furnishing trash collection services within the city shall pay occupation tax rates based on the volume of trash collected as follows:

(1) Weekly collection, per residential customer:

Thirty-two gallon service	$~~1.10~~ 3.35 per month
Sixty-four gallon service	$~~2.50~~ 3.50 per month
Ninety-six gallon service	$3.50 per month

(2) Bag service for residential customers shall be taxed at $~~0.15~~ 0.38 per bag, not to exceed $3.50 in any one calendar month.[1]

(3) Bi-weekly collection for residential customers shall be taxed at $~~0.60~~ 1.50 per month for thirty-two gallon service.

(4) Commercial accounts, including service for residential dumpsters, shall be taxed at $0.74 per cubic yard.

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1 Bag service applies to residential customers who do not have regularly scheduled trash service.

Section 2. The increase in tax rates set forth in this chapter shall be effective October 1, 2009.

Section 3. This ordinance is necessary to protect the public health, safety, and welfare of the residents of the city, and covers matters of local concern.

Section 4. The city council deems it appropriate that this ordinance be published by title only and orders that copies of this ordinance be made available in the office of the city clerk for public inspection and acquisition.

INTRODUCED, READ ON FIRST READING, AND ORDERED PUBLISHED BY TITLE ONLY this 21st day of July, 2009.

_____

Mayor

Attest:

_____

City Clerk on behalf of the
Director of Finance and Record

K:\CMEN\o-trash tax rate increase - option 1-774.DOC

READ ON SECOND READING, PASSED, ADOPTED, AND ORDERED PUBLISHED BY TITLE ONLY this _____ day of _____, 20__.

_____

Mayor

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City Clerk on behalf of the
Director of Finance and Record

K:\CMEN\o-trash tax rate increase - option 1-774.DOC

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AN ORDINANCE AMENDEING SECTION 3-10-2, "IMPOSITION OF THE OCCUPATION TAX," B.R.C. 1981, RAISING THE PER MONTH RATES OF THE TRASH TAX FOR A 32 GALLON RESIDENTIAL SERVICE TO $2.85; FOR A 64 GALLON RESIDENTIAL SERVICE TO $3.50; FOR THE PER BAG RATE TO $1.15; FOR A BI-WEEKLY COLLECTION RATE TO $1.60; AND FOR COMMERCIAL ACCOUNTS TO $0.80 PER CUBIC YARD; AND SETTING FORTH RELATED DETAILS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BOULDER, COLORADO:

Section 1. Section 3-10-2, B.R.C. 1981, is amended to read:

3-10-2 Imposition of Occupation Tax.

(a) No hauler furnishing trash collection services in the city shall fail to pay to the city manager the occupation tax, prescribed by subsection (b) of this section, upon such services.

(b) Every hauler furnishing trash collection services within the city shall pay occupation tax rates based on the volume of trash collected as follows:

(1) Weekly collection, per residential customer:

Thirty-two gallon service	$~~1.10~~ 2.85 per month
Sixty-four gallon service	$~~2.50~~ 3.50 per month
Ninety-six gallon service	$3.50 per month

(2) Bag service for residential customers shall be taxed at $~~0.15~~ 1.15 per bag, not to exceed $3.50 in any one calendar month.[1]

(3) Bi-weekly collection for residential customers shall be taxed at $~~0.60~~ 1.60 per month for thirty-two gallon service.

(4) Commercial accounts, including service for residential dumpsters, shall be taxed at $~~0.74~~ 0.80 per cubic yard.

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1 Bag service applies to residential customers who do not have regularly scheduled trash service.

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Section 2. The increase in tax rates set forth in this chapter shall be effective October 1, 2009.

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AGENDA ITEM #3G PAGE 10

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Thirty-two gallon service	$~~1.10~~ 2.50 per month
Sixty-four gallon service	$~~2.50~~ 3.50 per month
Ninety-six gallon service	$3.50 per month

(2) Bag service for residential customers shall be taxed at $~~0.15~~ 0.65 per bag, not to exceed $3.50 in any one calendar month.[1]

(3) Bi-weekly collection for residential customers shall be taxed at $~~0.60~~ 1.35 per month for thirty-two gallon service.

(4) Commercial accounts, including service for residential dumpsters, shall be taxed at $~~0.74~~ 0.85 per cubic yard.

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Director of Finance and Record

ORDINANCE NO. _____

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3-10-2 Imposition Of Occupation Tax.

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(b) Every hauler furnishing trash collection services within the city shall pay occupation tax rates based ~~on the volume of trash collected~~ as follows:

(1) ~~Weekly collection, per~~Per residential customer: $3.50 per month

~~Thirty-two gallon service~~	~~$1.10 per month~~
~~Sixty-four gallon service~~	~~$2.50 per month~~
~~Ninety-six gallon service~~	~~$3.50 per month~~

(2) ~~Bag service for residential customers shall be taxed at $0.15 per bag, not to exceed $3.50 in any one calendar month.~~[1]

~~(3) Bi-weekly collection for residential customers shall be taxed at $0.60 per month for thirty-two gallon service.~~

~~(4)~~ Commercial accounts, including service for residential dumpsters, shall be taxed at ~~$0.74~~ $0.85 per cubic yard.

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Section 2. The increase in tax rates set forth in this chapter shall be effective October 1, 2009.

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City Clerk on behalf of the
Director of Finance and Record

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Mayor

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City Clerk on behalf of the
Director of Finance and Record

Trash Tax Analysis
2009 Estimates Rate Increase Options

ATTACHMENT E

2009 Estimated Trash Tax Revenue (*includes adjustments to revenue resulting from implementation of residential composting program - i.e., residents will generate less trash and may switch down volume of service).							2010 Estimated Trash Tax Revenue											
							Option 1			Option 2			Option 3			Option 4		
	% of trash tax service in 2008	% of trash tax service in 2009*	Customers/ month	Customers/ quarters	Tax/month	Revenue/yr.	Increase residential rate 150% for the first two service levels. Increase of over 200% for 1 can service level and max-ed 2 can service level to the $3.50/month. No rate increase to commercial customers	$ increase to customer rates	Revenue/yr.	Flat fee of $1.00/month (except for the 32 gal customers at $1.75) and increase commercial rate to $0.80 cu. yd. (or $.06 more per cu. yd.)	$ increase to customer rates	Revenue/yr.	A more standard residential tiered fee increase and increase commercial rate to max. $0.85 cu. yd.	$ increase to customer rates	Revenue/yr.	Increase all service levels to max $3.50/month (residential) or $0.85 cu. yd. (commercial)	$ increase to customer rates	Revenue/yr.
Residential																		
Prepaid Bags	1%	3%	564	1,693	**$0.15**	$1,016	$0.38	$0.23	$2,539	$1.15	$1.00	$7,787	$0.65	$0.50	$4,401	$3.50	$3.35	$23,699
Every other week	n/a	9%	1,693	5,078	**$0.60**	$12,188	$1.50	$0.90	$30,470	$1.60	$1.00	$32,502	$1.35	$0.75	$27,423	$3.50	$2.90	$71,098
32 gallon/week (1 can)	50%	70%	13,166	39,499	**$1.10**	$173,794	$3.35	$2.25	$529,282	$2.85	$1.75	$450,285	$2.50	$1.40	$394,987	$3.50	$2.40	$552,981
64 gallon/week (2 cans)	33%	13%	2,445	7,335	**$2.50**	$73,355	$3.50	$1.00	$102,697	$3.50	$1.00	$102,697	$3.50	$1.00	$102,697	$3.50	$1.00	$102,697
96 gallon/week (3 cans)	16%	5%	940	2,821	**$3.50**	$39,499	$3.50	$0.00	$39,499	$3.50	$0.00	$39,499	$3.50	$0.00	$39,499	$3.50	$0.00	$39,499
Residential Total:	**100%**	**100%**	**18,809**	**56,427**		**$299,851**			$704,487			$632,769			$569,007			$789,974
							Additional residential subtotal:		$404,636	Additional residential subtotal:		$332,917	Additional residential subtotal:		$269,155	Additional residential subtotal:		$490,122
					Tax/cu.yd.		**Commercial**			**Commercial**			**Commercial**			**Commercial**		
Commercial Total:		303,754			**$0.74**	**$899,113**	**$0.74**		$899,113	**$0.80**		$972,014	**$0.85**		$1,032,765	**$0.85**		$1,032,765
							Additional commercial subtotal:		$0	Additional commercial subtotal:		$72,901	Additional commercial subtotal:		$133,652	Additional commercial subtotal:		$133,652
Total:						$1,198,965	**Additional revenue**		**$404,636**	**Additional revenue**		**$405,818**	**Additional revenue**		**$402,807**	**Additional revenue**		**$623,774**