



March 4, 2025 | City of Charlottesville

SOLID WASTE PROGRAM COST OF SERVICE FEE AND RATE STUDY SUMMARY ANALYSIS AND RECOMMENDATION



AGENDA

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- Key Policy Issues to Consider

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- Overview of Current System

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- Recommended Rate Structure Change

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- Benchmarking

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- Example Pay-As-You-Throw Rates

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- Summary and Implementation

KEY POLICY DECISIONS

How much of the cost should the City be funding through rates versus from the general fund?

Which costs should be recovered?

Core Services

Collection, Disposal, and Processing

Additional Services

Leaf Collection, Large-item Collection, Compost Drop-off Programs, etc.

Continue with the sticker/decal program or consider an alternate rate structure?

CURRENT STICKER/DECAL PROGRAM

Revenue is only from the purchase of stickers and decals.

Annual revenues have been in the \$1.1 to \$1.2 million range and have been relatively stable over the last several years.

Expenses for core services (refuse collection, recycling collection, disposal, processing) are approximately \$2.7 million and have increased significantly over the last several years.

There are additional expenses of \$1.1 million per year for other solid waste and related services.

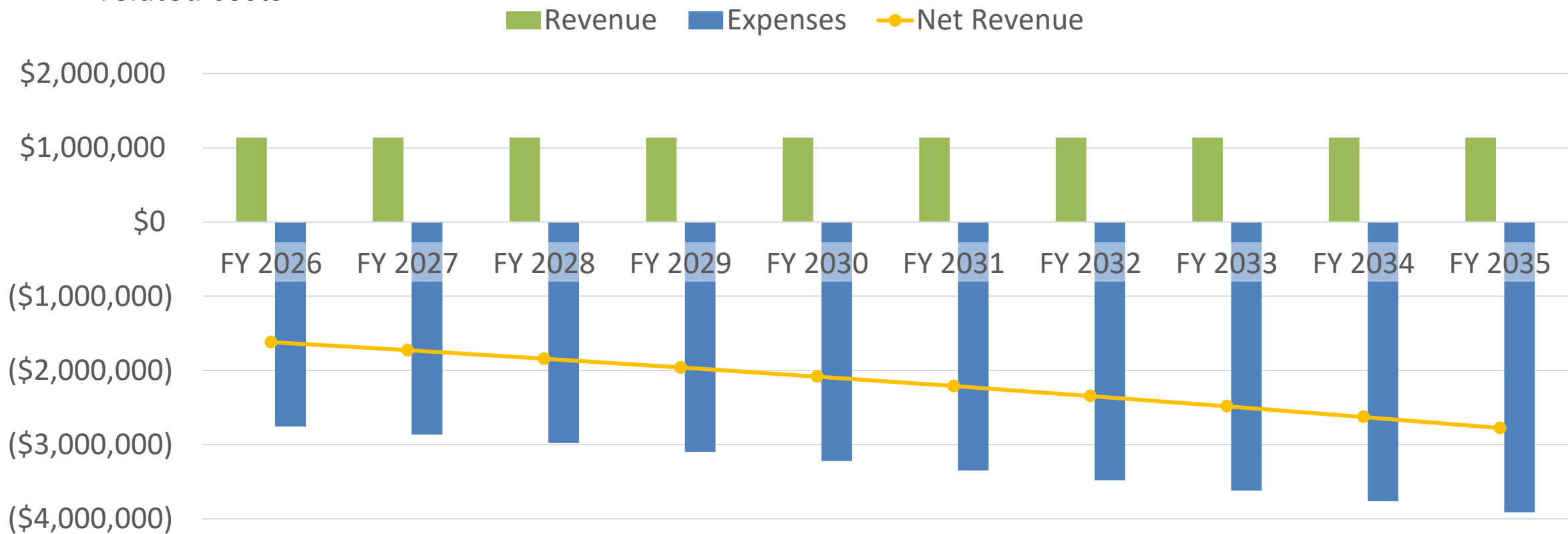
Based on approximately 15,300 customers, the average monthly revenue per customer is \$6.19 for FY 2025 compared to an average monthly cost of \$15.00 (for core services).

SAMPLE OF STICKER/DECAL COSTS

Rate Type	Cost	Monthly Equivalent	Assumptions
Residential – Small sticker (13 gallon)	\$1.05 each	\$11.38	Assume 2.5 bags (32 gallons) per week
Residential – Large sticker (32 gallon)	\$2.10 each	\$18.20	Assume 2 bags (64 gallons) per week
Residential – Large sticker (32 gallon)	\$2.10 each	\$27.30	Assume 3 bags (96 gallons) per week
Residential – 32 gallon decal	\$94.50 per year	\$7.88	Assumes Rate Group 1
Residential – 64 gallon decal	\$189.00 per year	\$15.75	Assumes Rate Group 1
Residential – 96 gallon decal	\$283.50 per year	\$23.63	Assumes Rate Group 1
Small Business – 64 gallon once/day	\$327.60 per quarter	\$109.20	
Small Business – 96 gallon once/day	\$491.40 per quarter	\$163.80	

REVENUES AND EXPENSES WITH CURRENT SYSTEM

- Collection, disposal, and processing costs exceed revenues from stickers/decals
- Cumulative 10-year impact to general fund projected to be \$21.7 million, excluding other solid waste related costs



KEY CRITERIA FOR A NEW RATE STRUCTURE

Is it equitable (rate varies by use)?

Does it encourage recycling?

Is it affordable compared to other communities in the area?

Is it consistent with industry best practices?

Does it allow for subsidies for those that qualify?

Is it financially sustainable for the City?

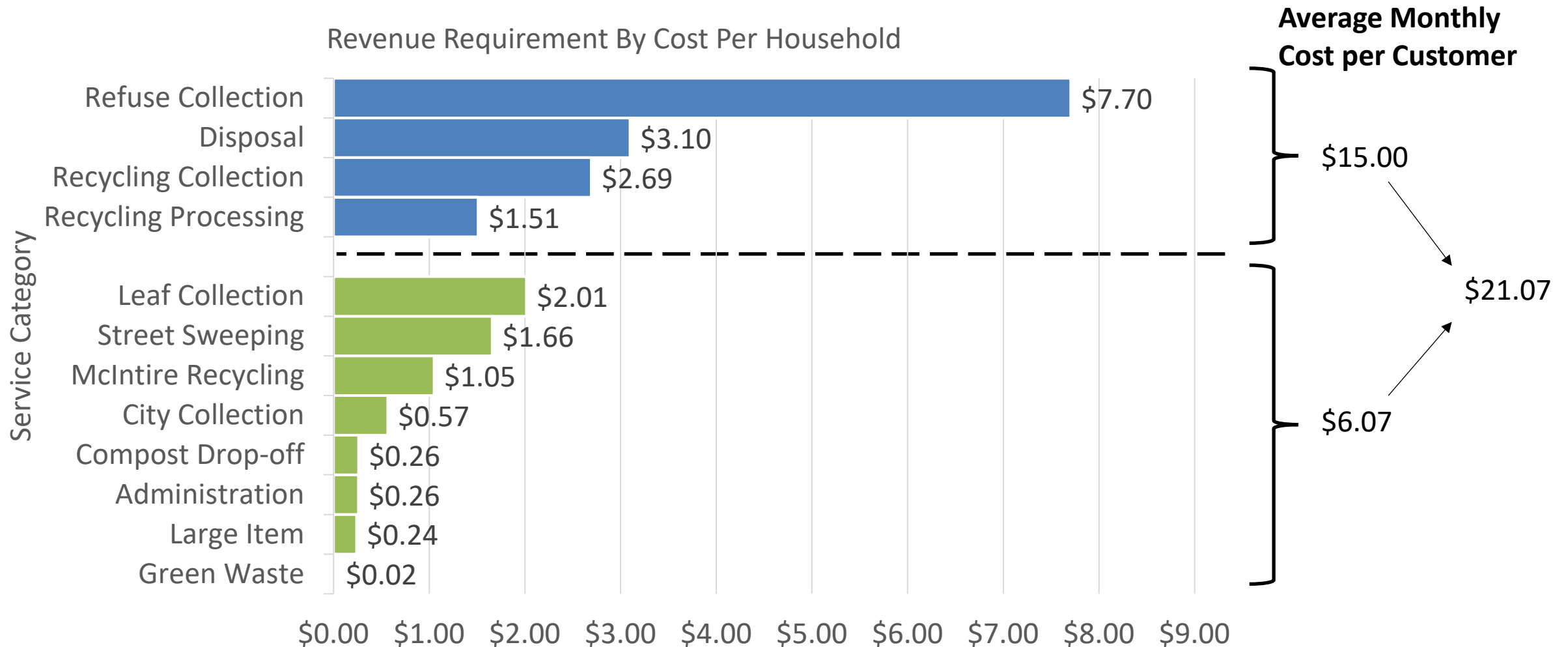
RATE STRUCTURE RECOMMENDATION

- Transition from manual collection to cart-based pay-as-you-throw (PAYT) system
- Implement monthly rates based on 3 cart sizes
- Other services (recycling, large item collection, leaf collection) would continue as is
- This rate structure and associated operational changes meets all the criteria described

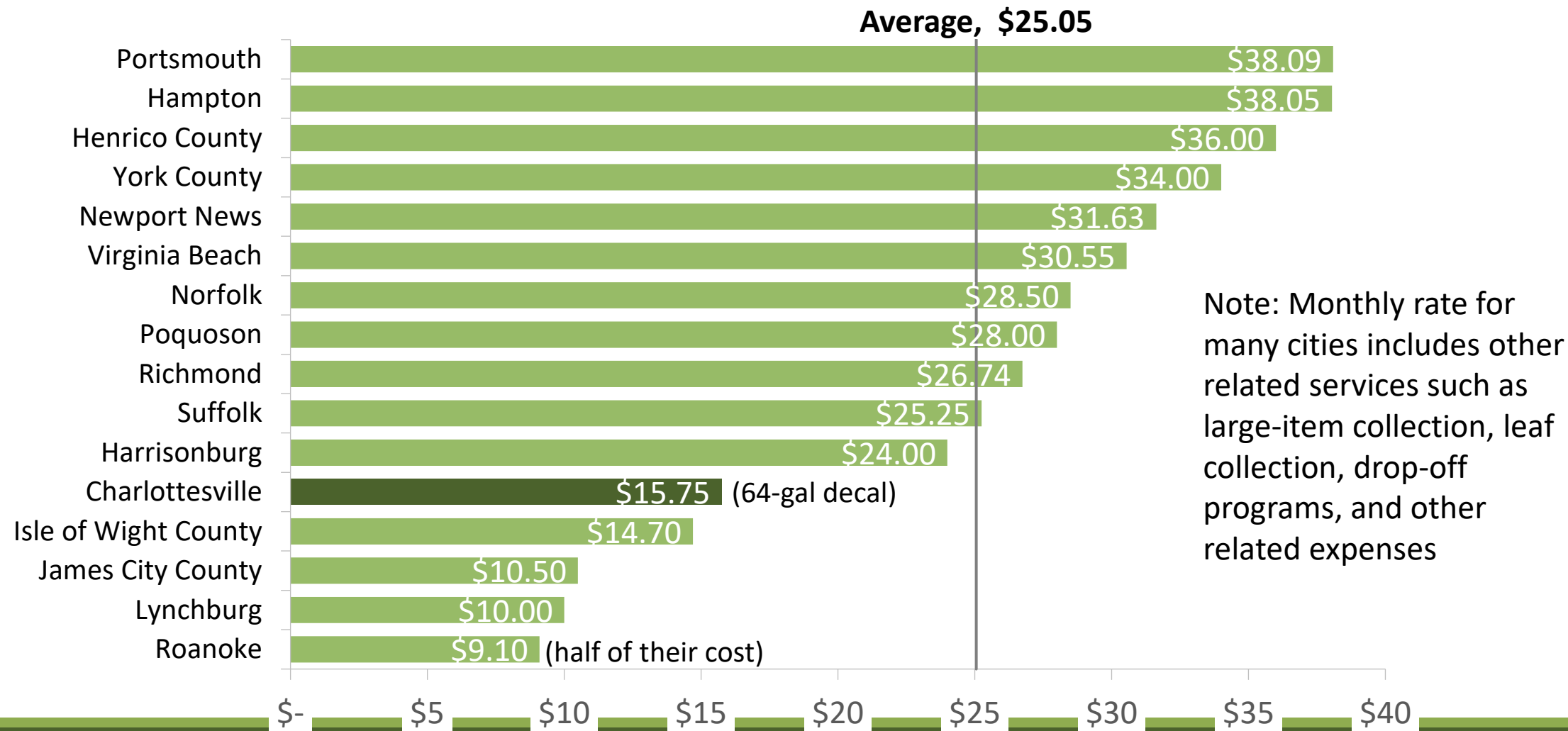


Carts similar to the current recycling cart

COST OF SERVICE (BASED ON 15,300 CUSTOMERS)



BENCHMARKING SUMMARY (MONTHLY RATE – 64 GALLON)



PAYT CART RATES AND REVENUE – CORE SERVICES

- Revenue with a cart-based PAYT system based on assumed cart distribution
- These rates only address refuse and recycling collection, disposal, and processing

Cart Size	Assumed Distribution	Customers	Current Monthly Decal Cost	Example Monthly Rate	Annual Revenue
32 Gallon	30%	4,590	\$7.88	\$10.00	\$550,800
64 Gallon	55%	8,415	\$15.75	\$16.00	\$1,615,680
96 Gallon	15%	2,295	\$23.63	\$22.00	\$605,880
Total / Avg	100%	15,300	\$14.57	\$15.10	\$2,772,360

\$10 is equivalent to buying 9.5 small stickers per month

\$2,755,170 = Total Collection Disposal and Processing Expenses

PAYT CART RATES AND REVENUE – ADDITIONAL SERVICES

- Revenue with a cart-based PAYT system based on assumed cart distribution
- These rates recover costs associated with all solid waste and recycling related services

Cart Size	Example Distribution	Customers	Current Monthly Decal Cost	Example Monthly Rate	Annual Revenue
32 Gallon	30%	4,590	\$7.88	\$16.00	\$881,280
64 Gallon	55%	8,415	\$15.75	\$22.00	\$2,221,560
96 Gallon	15%	2,295	\$23.63	\$28.00	\$771,120
Total / Avg	100%	15,300	\$14.57	\$21.10	\$3,873,960

**Average Month Rate
from Benchmarking = \$25.05**

\$3,869,430 = Total Expenses

SUMMARY

The current revenue from stickers and decals is not sufficient to cover contractual costs

There are additional solid waste and recycling related costs that are currently funded through the general fund

The sticker/decal program requires an outdated manual collection method that does not provide stable revenue for the City

Moving to a cart-based pay-as-you-throw system with automated collection brings Charlottesville in line with industry best practices

IMPLEMENTATION

1

Continue with the current sticker/decal program in FY 2026, but consider an across-the-board 25% rate increase to reduce the deficit.

2

Use FY 2026 to plan the implementation of a cart-based pay-as-you-throw system, including billing, procurement of next refuse collection contract, and educating customers on the change.

3

Set initial FY 2027 rates to recover collection, disposal and processing.

4

Phase in additional rate increases starting in FY 2028 to recover additional solid waste and recycling related costs.



Additional Considerations:

- Establish City as exclusive provider for residential customers
- Evaluate City-provided collection once existing contracts expire

QUESTIONS

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