



## **People's Ordinance Repeal Reconsideration Recommendations**

*May 2022*

### **SDCTA Position**

The Association, in reconsidering its 2015 position that the People's Ordinance should be repealed, conducted the following policy analysis. This analysis is not an in-depth study on waste collection and landfill management, but a review and analysis on waste management authority and practices in other major cities in the Country using readily available information. From the research conducted in this analysis, SDCTA now believes that the People's Ordinance should be amended in accordance with the following principles.

With regard to the financing of waste collection:

1. All residents, whether single-family homeowners or apartment residents, are paying into the City's general fund through property taxes, and therefore every resident is entitled to some amount of solid waste collection without additional fees.
2. The solid waste entitlement should be an equal amount on a per address (i.e., residence door) basis. Other entitlement determinations (e.g., by property taxes paid, parcel, number of residents in a household, etc.) are too administratively burdensome and would create unforeseen equity and/or fairness issues.
3. The total solid waste entitlement (i.e., when you add up the entitlement for every address in the city) should be calculated using the Zero Waste Goals and maximizing what remains of landfill capacity without height limit increases. To illustrate (note: this is an example and City staff should design a formula with precise calculations), if the goal by 2035 is 75% diversion and the Miramar Landfill has 9 million ton solid waste capacity remaining,, the overall entitlement is 9 million tons divided by number of years to 2035 times 25%, or  $9M/13*0.25 = 173,067$  tons. Then, assuming there are, for example, 400,000 addresses, each address is entitled to  $173,076/400,000$  or 0.43 tons (865 lbs) of solid waste per address per year.
4. There should be no limit on residential entitlement in either recycling or green waste volume, as those items can either be repurposed or diverted and subsequently generate revenue, like with the original hog feed debate that triggered the People's Ordinance in the first place.
5. Fees charged to residents are permissible for waste collection beyond that entitlement. Such fees would incentivize the continued reduction of waste. The fees should be structured in a pay-as-you-throw (PAYT) model where the fee is based on the volume of solid waste.



In governance:

6. The City should approach residential waste collection in a manner that encourages pricing competition, community choice, and operational efficiencies for the waste hauler over the long term. Pricing should account for operational and administrative costs.
7. The opportunity exists to improve the efficiency of waste collection. While the City should be permitted to bid on waste collection, outsourcing should be explored.
8. While SDCTA recognizes that franchise fees may serve as hidden taxes, the City may negotiate franchise fees with these competitors, but those franchise fees would apply only on fees collected by haulers for waste collection beyond the per address solid waste entitlement.
9. Any franchise fees the City may earn through the above entitlement fees or the private operator revenues from recycling or repurposing of green waste must also be placed into a fund to pay for the maintenance of, and if needed due to failing to reach zero waste goals, the building of additional landfill capacity. These revenues may also be used for the costs of compliance with state-mandated regulations, but ultimately, the franchise fee amounts should be limited to compliance, maintenance, and additional landfill capacity. If there is excess in the fund from franchise fees and revenue, then the revenue should be used for rate reductions.
10. Solid waste collection fees charged by the operators should be regulated by the city and a cost of service study.
11. The operators should collect all fees and subsequently credit customers for their solid waste entitlement and all their recycling and green waste collections on their individual bills. In other words, every address should see the true cost of their collection and then see the credits from their general fund financed waste collection.
12. The City will also pay the haulers for the number of addresses in their respective service areas (i.e., the city pays for the solid waste entitlement on a uniform basis across haulers and should be based on the cost of service to handle the entitlement amount) as well as for the recycling and green waste collection costs, except such recycling or green waste collection costs may not go above the amounts in any studied cost of service.

### **Rationale for Decision**

These principles are based on three primary findings:

1. That waste collection is a core municipal service and ought to continue being one, as nearly all major cities around the world exert some authority over this function.
2. That general tax revenue, and particularly property tax revenues, should finance some entitlement of solid waste collection and an unlimited amount of recycling or green waste collection (i.e., anything that can be repurposed and potentially monetized).



3. That the most efficient and behaviorally appropriate financing structure is a “pay as you throw” system managed by private operators.

**Title:** People’s Ordinance Repeal Reconsideration Recommendations

**Jurisdiction:** City of San Diego

**Type:** Any amendments or a repeal would go to a vote of the people

**Vote:** Simple majority

**Issue:** Waste collection finance and operations

## Historical Background

### *San Diego, 1900-1920*

In 1900, San Diego’s population was 17,700, doubling by 1910, and doubling again by 1920 to 74,361.<sup>1</sup> There were no registered cars in the city in 1900<sup>2</sup>, with people getting around on foot or by horse. By 1920, horses were mostly gone from the urban setting, with cars and the Spreckels trolley system dominating city mobility. People had fewer consumer goods and there was little, if any, packaging around those goods. Compared to 2021, San Diegans had considerably less waste that went to the dump; waste that was generated was often organic, which could be fed to the region’s livestock.

### *Creation of the People’s Ordinance*

In the early 1900s, waste collection became an issue due to independent trash collectors collecting waste and taking it to their hog ranch to feed their animals, leading to the question of who had the right to feed the garbage to hogs, and thus collect the trash.<sup>3</sup> As a result, the People’s Ordinance was enacted by a vote of the people in 1919, passing with 11,908 votes for and 2,111 votes against. The measure gave the City “responsibility for collecting and disposing of residential trash, and authorized the governing council to levy and collect fees and taxes to pay

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<sup>1</sup> “Timeline of San Diego History: 1900-1929.” San Diego History Center,  
<https://sandiegohistory.org/archives/biographysubject/timeline/1900-1929/>

<sup>2</sup> Crawford, Richard. “Early autos drove residents wild with wonder.” The San Diego Union-Tribune, August 30, 2009,  
<https://www.sandiegouniontribune.com/sdut-early-autos-drove-residents-wild-wonder-2009aug30-story.html>

<sup>3</sup> Dotinga, Randy. “Trash-to-Trough Fuss Still Haunts City Hall.” Voice of San Diego, March 8, 2011,  
<https://thewebsters.us/2017/01/25/hogs-and-the-peoples-ordinance/>



for the service.” However, the City did not levy and collect fees and taxes to pay for waste collection and instead instituted a no-fee system for pickup and disposal.<sup>4</sup>

### *Amendments to the People’s Ordinance*

There were two amendments to the People’s Ordinance, in 1981 and 1986. The first amendment in 1981 allowed the city to charge for collection of commercial and industrial waste, and the second amendment in 1986 stated that citizens in single family residences and small businesses are entitled to no-fee trash pickup, with certain restrictions. These amendments also added language that explicitly prohibits the City from collecting a fee for trash service.<sup>5</sup>

### *Responses to the People’s Ordinance*

#### *Grand Jury Report (2008-09): Time for Repeal of the People’s Ordinance*

In 2009, the 2008/2009 San Diego County Grand Jury issued a statement that the People’s Ordinance was a costly program that the City could no longer afford. Critically, the paper addressed the inequities within the People’s Ordinance, highlighting the disparity between no-fee waste collection for some citizens and paid waste collection for others and the economic incentives that could be implemented if the City were to repeal the People’s Ordinance.

The Grand Jury’s recommendation is that the City repeals the People’s Ordinance and implements a variable-rate trash service fee after its repeal. In order to reach this recommendation, the Grand Jury looked at a number of historical documents, including the original People’s Ordinance from 1919, the two amendments to the People’s Ordinance, news reports, Proposition 218, Proposition 13, AB 939, Grand Jury reports, and conducted interviews with the Environmental Services Department, the San Diego City Council, and the Mayor’s Office.<sup>6</sup>

### *Recent Discussions of the People’s Ordinance*

Over the past year, the People’s Ordinance has made its way back into the political conversation. In mid-2021, Council President Sean Elo-Rivera brought up the possibility of amending or repealing the People’s Ordinance and ordered an IBA comprehensive analysis / of the People’s Ordinance to analyze the cost of the People’s Ordinance and its impact on environmental goals for the City.

In October 2021, an article from the San Diego Union-Tribune editorial board looked at the case for repealing the People’s Ordinance, highlighting three main points: 1) the inequity between

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<sup>4</sup> “Time for Repeal of the People’s Ordinance.” San Diego County Grand Jury 2008/2009, April 7, 2009, <https://www.sandiegocounty.gov/grandjury/reports/2008-2009/PeopleOrdinanceReport.pdf>

<sup>5</sup> SDC Grand Jury Report 5

<sup>6</sup> SDC Grand Jury Report 2, 6



providing free pickup for single-family households while forcing apartments and other areas to pay for their own waste collection<sup>7</sup>, 2) creating economic incentives for reducing waste, and 3) the amount that the city currently spends on trash collection for short-term rentals.<sup>8</sup>

Following this discussion, the San Diego City Council Rules Committee voted in March 2022 to draft a proposed ballot measure that would amend the People’s Ordinance and allow the city to charge for waste collection at single-family homes.<sup>9</sup>

### **Relevant Studies and Information on Waste Collection**

#### Independent Budget Analyst (IBA) Report (2020): *IBA Review of the Mayor’s FY 2022-2026 Five-Year Financial Outlook*<sup>10</sup>

More recently, the IBA reviewed the City of San Diego’s five-year financial outlook for 2022 to 2026, with a large chunk of the review dedicated to refuse collection services in the City. The IBA notes that San Diego is the only large city that does not charge for waste collection services to single-family homes, and other large cities in California charge from \$23 to \$132 per month for comparable services. The report estimates that if the City were to charge residents for waste collection, the cost for the residents of single-family homes would be about \$16 per month, alleviating the General Fund of about \$36.3 million in annual expenditures.

#### 2006 EPA Pay As You Throw (PAYT) Analysis<sup>11</sup>

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<sup>7</sup> The SDCTA believes the point misses the mark. As noted above, it is the position of the SDCTA that trash pick-up at single-family homes is not “free,” that, in fact, it is paid for by homeowners through property taxes collected by the County and passed through to the city of San Diego. The unfairness in the system is that condo owners and apartment residents pay twice for trash pick-up – once through the property taxes they pay either directly (condo owners) or indirectly (apartment residents) through their rents, which the landlord uses to pay the property taxes. Both groups are then charged a second time when condo associations and apartment landlords are billed by the private trash hauler servicing their complexes, with those second charges again passed on to residents.

<sup>8</sup> “Opinion: San Diego’s People’s Ordinance only serves some people. Let’s dump this outdated trash law.” The San Diego Union-Tribune, October 6, 2021, <https://www.sandiegouniontribune.com/opinion/editorials/story/2021-10-06/time-to-repeal-the-peoples-ordinance-to-end-trash-double-standard-promote-environment#:~:text=In%201919%2C%20more%20than%20four,it%2C%20but%20they%20never%20did.>

<sup>9</sup> Benitez, Clara. “Council committee to draft ballot measure to amend the people’s ordinance. Fox5 San Diego, March 16, 2022, <https://fox5sandiego.com/news/local-news/council-committee-to-draft-ballot-measure-to-amend-the-peoples-ordinance/>

<sup>10</sup> “IBA Review of the Mayor’s FY 2022-2026 Five-Year Financial Outlook.” Office of the Independent Budget Analyst, City of San Diego, December 15, 2020, <https://www.sandiego.gov/sites/default/files/iba-report-20-25.pdf>

<sup>11</sup> Skumatz, Lisa A. and David J. Freeman. “Pay As You Throw (PAYT) in the US: 2006 Update and Analyses.” EPA and Skumatz Economic Research Associates, Inc., December 30, 2006, <https://archive.epa.gov/wastes/conservation/tools/payt/web/pdf/sera06.pdf>



The EPA's Office of Solid Waste co-sponsored a paper with Skumatz Economic Research Associates that looked at major prior research on PAYT and provided strategies for implementing PAYT programs across the United States. Overall, the paper concluded that PAYT was the most effective action to increase recycling and diversion, as well as one of the most cost-effective strategies.

#### *Findings by the EPA*

1. The paper found that switching to PAYT programs decreased residential solid waste by about 17% in weight, with 8 to 11% of that amount being diverted. The impact from PAYT programs were the most effective changes that could be made to have the greatest impact on recycling (with recycling rates 4.3% higher in PAYT communities compared to non-PAYT communities) and thus provided significant progress towards diversion goals.
2. Household costs for monthly trash collection were not significantly higher for communities that switched to a PAYT program. In cities that had mandatory residential trash collection, trash collection costs were significantly lower.
3. The paper provides four suggestions for implementing PAYT in a city: gathering political backing and support from citizen groups, input from haulers with regards to the design of the PAYT system, customer education, and the consideration of a pilot or phased implementation to smooth out wrinkles in the program before a full-scale implementation.
4. As of the time this paper was published, 30 of the top 100 cities in the US had PAYT programs in place. Large cities that had PAYT programs implemented were likely to have also implemented other recycling programs to decrease waste and increase diversion. Overall diversion was 23% higher in PAYT cities than non-PAYT cities.
5. With regards to the mode of collection, the paper found that 76% of PAYT cities used fully automated trash collection systems (as opposed to 66% for non-PAYT), 29% used manual trash collection systems, and 21% used semi-automated trash collection systems.

#### San Diego Environmental Services Landfills Article<sup>12</sup>

San Diego Environmental Services collects information regarding the volume of waste collected by the city per year and also includes information about the Miramar Landfill, which is the only City-run landfill.

#### *Findings by San Diego Environmental Services*

1. San Diego disposes about 1.58 million tons of trash per year, 870,000 of which goes to the Miramar Landfill. Yearly, the landfill receives almost 910,000 tons of trash.

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<sup>12</sup> "Miramar Landfill & Greenery." Environmental Services, City of San Diego, <https://www.sandiego.gov/environmental-services/miramar#:~:text=San%20Diego%2C%20with%20a%20population,tons%20of%20trash%20per%20year.>



Environmental Services estimates that, maintaining this rate of disposal, the Miramar Landfill will be filled to capacity by 2025. The Miramar Landfill is the only active landfill for the City of San Diego.

2. The City of San Diego is currently at a 66 percent diversion rate (the amount of waste diverted from the landfill through recycling or compostable green waste), up 14 percent from 2004. Waste reduction and recycling programs from the City have helped to extend the lifespan of the Miramar Landfill, which was originally scheduled to close in 1995.
3. The City of San Diego has a non-exclusive solid waste collection system, which is made up of waste haulers that provide collection services within the city. These hauling companies have franchise agreements with the City and pay both franchise fees and fees from AB939. The San Diego Municipal Code governs the waste collection franchise system.

#### 1997 Hilton Farnkopf & Hobson Survey<sup>13</sup>

In the first half of 1997, Hilton Farnkopf & Hobson, a solid waste consulting firm, surveyed 100 of the largest US cities, representing 22 million residents and ranging from New York, NY to Newport News, VA. These cities were asked questions about their public and private solid waste programs.

#### *Findings by Hilton Farnkopf & Hobson*

1. The survey results for residential waste collection broke down as follows: 62% of the cities provided exclusive municipal service, 18% used exclusive private service under a contract or franchise agreement, 6% used open competition where several haulers competed for residential customers, and 14% had a combination of these arrangements. The largest cities were “more likely to have publicly-operated residential collection programs.”
2. In contrast, the survey results for commercial waste collection were different: 60% of cities allowed competition among private haulers for commercial collection, 15% had an exclusive private contract or franchise agreement, 13% reported that their municipal collection operation competed with private haulers for customers, and only 12% used exclusive municipal service for collection.
3. 81% charged all residential customers a flat monthly rate for solid waste collection, while the other 19% implemented variable rates that required residential customers to pay for solid waste collection services based on the amount of waste generated (done in a “variety of ways, including volume-based rates charging by the number of containers and/or container size and pay-by-weight systems”).

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<sup>13</sup> Ezzet, Laith B. “Collection: Who Handles the Trash in the 100 Largest U.S. Cities?” Waste360, 1 April 1998, [https://www.waste360.com/mag/waste\\_collection\\_handles\\_trash](https://www.waste360.com/mag/waste_collection_handles_trash)



4. With regards to other types of collection services, 87% operated curbside recycling programs, 74% collected yard waste, and 69% offered a day for household hazardous waste collection.

#### CBC New York Trash Collection Article<sup>14</sup>

In 2014, the New York Citizens Budget Commission published a policy brief presenting facts regarding trash collection and removal in New York City. Some of these key facts included:

1. New York City has two systems for trash collection, one private and one public, that cumulatively spend \$2.3 billion annually. The New York City Department of Sanitation (DSNY) is the public system and is responsible for collecting waste from residences, government agencies, and nonprofits. The City's Business Integrity Commission (CBIC) regulates the private system, which is made up of 250+ waste hauling firms that are responsible for non-construction and non-industrial waste.
2. The DSNY hauls about 3.8 million tons of waste annually, with about 76% of this going to landfills. The average cost for one ton of recyclable and non-recyclable waste handled by the DSNY is \$433, with the system being entirely funded through general tax revenue.
3. The private system hauls about 4.0 million tons of waste annually, with about 63% of this being recycled (as compared to only 15% being recycled through the DSNY) and the remainder being sent to landfills. The average cost for one ton of recyclable and non-recyclable waste handled by the private carters is \$185.
4. Between both residential and commercial collection, spending on garbage collection in New York City is about \$2.3 billion annually: In 2012, DSNY used \$1.6 billion of municipal tax dollars, and private businesses pay about \$730 annually for waste collection.

#### City of San Diego Adopted Budget FY2022<sup>15</sup>

The City of San Diego's FY2022 Adopted Budget outlines some information regarding the money set aside by the City for waste collection.

1. The City "collects franchise fees from private refuse haulers that conduct business within the City limits." The FY2022 Adopted Budget for "refuse haulers and other franchise fees" is \$15.1 million (9.4% of total franchise fees), with \$12.8 million of that from refuse collection fees specifically.
2. The FY2022 Adopted Budget included a "\$1.0 million increase in the Environmental Services Department primarily associated with support for the implementation and

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<sup>14</sup> Gamerman, Tammy. "12 Things New Yorkers Should Know About Their Garbage." Citizens Budget Commission New York, May 21, 2014,

<https://cbcny.org/research/12-things-new-yorkers-should-know-about-their-garbage>

<sup>15</sup> "Adopted Budget Fiscal Year 2022." The City of San Diego, [https://www.sandiego.gov/sites/default/files/fy22ab\\_full.pdf](https://www.sandiego.gov/sites/default/files/fy22ab_full.pdf)





expansion of organics collection and the weekly residential refuse collection program to comply with SB-1383.” It also added “\$350,000 of personnel expenditures to align with historical and projected overtime expenditures for the weekly residential refuse collection program.”

3. With regards to refuse, the budget includes: Automated Refuse Container Fund, Refuse Disposal Fund, Refuse Collection Franchise, and Refuse Collector Business Tax.

City Revenues from Recycling<sup>16</sup>

The City of San Diego receives revenue from “the recycling fee on all waste generated in the City or disposed of at the City landfill.”

Fiscal Year	Revenues from Recycling Program (Dollars in thousands)
2012	\$17,323,000
2013	\$18,056,000
2014	\$19,046,000
2015	\$20,305,000
2016	\$23,203,000
2017	\$23,186,000
2018	\$27,957,000
2019	\$26,055,000
2020	\$25,757,000
2021	\$25,504,000

Cities in San Diego County

We received information from nine other cities in the county, namely: National City, Imperial Beach, Santee, Carlsbad, Del Mar, Vista, La Mesa, Oceanside, and Escondido. All of these cities outsource their waste collection to an outside hauler, with four using Waste Management (WM) (Santee, Carlsbad, Del Mar, and Oceanside), four using EDCO (National City, Imperial Beach, Vista, and La Mesa) and Escondido using Escondido Disposal Inc (EDI). The average franchise

<sup>16</sup> “Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2021.” The City of San Diego, <https://www.sandiego.gov/sites/default/files/acfr-2021.pdf>



fee (based on gross receipts) between the nine cities was 12.61% (9.69% excluding the outlier of Imperial Beach’s 36%). This table shows only franchise fees and does not account for any additional contractual benefits the City may be receiving as part of the agreement, which may contribute to higher pass-through costs from haulers to consumers.

City	Franchise Fee	Revenue from Franchise Fees
National City	10% of gross receipts + 3.05% of residential gross receipts + 2.86% of commercial gross receipts	Not provided
Imperial Beach	36%	\$1,617,700 (2021)
Santee	15%	\$1,910,324 (2021)
Carlsbad	7.5%	\$1,433,384 (2021)
Del Mar	10%	\$124,684 (2021)
Vista	10%	\$1,581,481 (2021)
La Mesa	4%	\$303,006 (2020)
Oceanside	9%	\$2,366,218 (FY 2020-21)
Escondido	12%	\$2,365,453 (FY 2020-21)

### **Intent of SDCTA’s Review**

The SDCTA did a high-level overview of the People’s Ordinance in 2015 and made public their original policy position, which was that the People’s Ordinance should be repealed and everyone in the city should pay fees for their trash collection. In January 2022, the Association decided to reconsider the position.

There were three primary questions raised by the SDCTA when conducting its research and analysis:

1. Why is waste collection today a core municipal service at the City of San Diego?
2. Ought waste collection continue to be a core municipal service at the City of San Diego?
3. If waste collection is a core municipal service, then how ought it to be financed?



## SDCTA Findings

1. The SDCTA believes that waste collection is a core municipal service and ought to continue being one.

A World Bank study from 2012 noted that just about all city governments provide solid waste management, and continues that "...solid waste management is arguably the most important municipal service and services as a prerequisite for other municipal action...Solid waste is usually the one service that falls completely within the local government's purview."<sup>17</sup> In addition, there are no major cities in the United States that exercise no authority or power in waste collection.

2. General tax revenue, and particularly property tax revenues, should finance some entitlement of solid waste collection and an unlimited amount of recycling or green waste collection (i.e., anything that can be repurposed and potentially monetized).

Waste collection – and the costs and benefits of such activity – is partially a public good. Without a reliable waste collection system, municipalities risk the “tragedy of the commons,” where shared space is unregulated and potentially abused by individuals, i.e., in theory, a household would simply transport its waste to a place outside its immediate vicinity.

But waste collection is not indivisible or immeasurable, like the public good of law enforcement or shared defense. Therefore there is a private good component, as well, as individual choices lead to differing amounts of waste.

Because waste collection is part public, part private good in nature, the benefits and costs each ought to have a public and private financing component.

In our research, the SDCTA found that in other major cities (for example, New York, Chicago, and Boston), residents are currently entitled to trash collection that is fully funded by the general tax revenue. Since general tax revenue, and particularly property taxes, finance public good, some part of the waste collection system should be an entitlement for taxpayers.

In the City of San Diego, 1.58 million tons of trash are collected annually, with 870,000 tons going to the Miramar Landfill. In the county, there are two other major landfills: the Sycamore

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<sup>17</sup> Hoornweg, Daniel and Perinaz Bhada-Tata. “What a Waste: A Global Review of Solid Waste Management.” Urban Development Series Knowledge Papers no. 15, The World Bank, March 2012, <https://openknowledge.worldbank.org/handle/10986/17388>



Landfill and the Otay Landfill, both of which are used by Republic Services (the Otay Landfill is actually owned by Republic). While the SDCTA has not been given the requested information to verify where the balance of waste collected is sent, it would stand to reason that it is sent to either of these two additional landfills in the region.

When looking at how total solid waste entitlement should be calculated and ultimately divided, the SDCTA determined that the numerator of the formula (i.e., the total solid waste entitlement) should be based on landfill capacity and achieving Zero Waste goals. The Miramar Landfill will be filled to capacity by 2025 if the current rate of disposal is maintained, and reducing this amount by the Zero Waste Goal factors is appropriate in determining overall solid waste entitlement across the City.

When determining the ways to divide this entitlement, the Association believes a per address calculation is optimal, as it reduces administrative burden and also prevents unforeseen equity and/or fairness issues that may result through other divisions of the total entitlement.

For the “denominator” of the entitlement calculation and division amongst residents, the SDCTA looked at the pros and cons of five different options: property tax amount, parcel, number of rooms, number of residents, and address. Address proved to be the best option for two reasons: first, the city already has the information from water hookups, and second, calculating entitlement by address would incentivize residents to reduce waste collection throughout their entire household. The other four options all had different administrative or equity issues, such as not being able to gather the information accurately or mismatches between amount paid and entitlement.

Factor	Pros	Cons
Property tax amount	<ul style="list-style-type: none"> <li>● Taxes already being paid would go towards waste collection services.</li> </ul>	<ul style="list-style-type: none"> <li>● Potential mismatch between the amount of property tax paid and solid waste entitlement: ex., residents with older, larger homes may pay less in property taxes than residents with newer, smaller homes.</li> </ul>
Parcel	<ul style="list-style-type: none"> <li>● Taxes are collected by parcel, so this seems</li> </ul>	<ul style="list-style-type: none"> <li>● Some parcels have more than one</li> </ul>

	to be an easy way to divide entitlement.	address, which could create fairness issues across households.
Number of rooms	<ul style="list-style-type: none"> <li>Theoretically, some waste is being collected for each room in the household.</li> </ul>	<ul style="list-style-type: none"> <li>Homes having multiple residents per room or having a number of empty rooms: ex., empty nesters with homes that have empty rooms.</li> </ul>
Number of residents	<ul style="list-style-type: none"> <li>The waste entitlement per person would be equal throughout.</li> </ul>	<ul style="list-style-type: none"> <li>No city data as to the number of residents per household and self-reported numbers would likely be inaccurate.</li> </ul>
Address	<ul style="list-style-type: none"> <li>City already has the information from water hookups and no additional information would be needed.</li> <li>Would incentivize residents to reduce waste collection throughout their entire household.</li> </ul>	<ul style="list-style-type: none"> <li>Some addresses may collect more waste than others.</li> </ul>

Finally, there is monetary value to recycling and green waste collection. Because we are trying to incent maximal recycling and repurposing of green waste, it is in the public interest to incent that maximally. The general taxes paid should provide for an unlimited amount of revenue-generating waste collection activities, in the same spirit that the original People's Ordinance was created.

3. The most efficient and behaviorally appropriate financing structure for the City of San Diego is a "pay as you throw" system managed by private operators.

The City should explore outsourcing the actual collection to the outside hauler, as evidence suggests that public provision of this good is the least cost effective. Given that the City of San



Diego spent \$260 million on waste collection and no-fee trash pickup over the last five fiscal years and is projected to spend \$360 million over the next five and that external studies have shown that public waste collection is the least cost effective, the SDCTA believes that it would benefit the City financially to switch to outside waste haulers in order to reduce overhead and administrative costs on the City.<sup>18</sup> Additionally, competition is beneficial for the waste collection market and most likely forces waste collection companies to become more efficient in their collection services. For example, consolidation of the waste market in Maine in 2002 proved to not be beneficial to the market as a whole.<sup>19</sup>

The SDCTA also considered the possibility of outsourcing waste collection and hauler contracts to the county. Ultimately, we decided that this was not a good way to go for two reasons: first, it muddies the property tax / Prop 13 revenue sharing, and second, there are no other cities in the county that currently contract their waste collection with the county. If San Diego were to contract with the county, however, other cities should do it as well to maximize administrative efficiencies. The SDCTA does not believe, however, that the City and county are ready for this at this point, but it is a potential future option.

Finally, the City should structure fees beyond any set entitlement as a pay-as-you-throw (PAYT) system. As stated already, each household ought to have a certain solid waste collection for which it will be entitled, and it should pay a fee for any amount of solid waste being thrown away over this entitlement amount. This structure will provide an economic incentive for households to reduce the amount of waste they produce, help push the City towards their environmental goals, and increase the lifespan of landfills. Additionally, an EPA review of PAYT finds that well-designed PAYT programs can help cities cover both their solid waste collection costs and recycling costs.<sup>20</sup>

### **SDCTA Recommendations**

The Association, in reconsidering its 2015 position that the People's Ordinance should be repealed, conducted the following policy analysis. This analysis is not an in-depth study on waste

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<sup>18</sup> Garrick, David. "New analysis criticizes San Diego's free trash pickup policy as costly, an impediment to environmental goals." The San Diego Union-Tribune, October 3, 2021, <https://www.sandiegouniontribune.com/news/politics/story/2021-10-03/new-analysis-says-san-diegos-free-trash-pick-up-policy-is-costly-creates-barriers-to-environmental-goals#:~:text=The%20IBA%20estimates%20San%20Diego,the%20next%20five%20fiscal%20years>.

<sup>19</sup> Townsend, Ralph E. and Francis Ackerman. "An Analysis of Competition in Collection and Disposal of Solid Waste in Maine." Maine Attorney General, December 31, 2002, [https://www.maine.gov/ag/dynld/documents/Solid\\_Waste\\_Report.pdf](https://www.maine.gov/ag/dynld/documents/Solid_Waste_Report.pdf)

<sup>20</sup> "Pay-As-You-Throw," EPA Archive, <https://archive.epa.gov/wastes/conserve/tools/payt/web/html/index.html#:~:text=In%20communities%20with%20pay%2Das,and%20to%20generate%20less%20waste>.



collection and landfill management, but a review and analysis on waste management authority and practices in other major cities in the Country using readily available information. From the research conducted in this analysis, SDCTA now believes that the People's Ordinance should be amended in accordance with the following principles.

1. All residents, whether single-family homeowners or apartment residents, are paying into the City's general fund through property taxes, and therefore every resident is entitled to some amount of solid waste collection without additional fees.
2. The solid waste entitlement should be an equal amount on a per address (i.e., residence door) basis. Other entitlement determinations (e.g., by property taxes paid, parcel, number of residents in a household, etc.) are too administratively burdensome and would create unforeseen equity and/or fairness issues.
3. The total solid waste entitlement (i.e., when you add up the entitlement for every address in the city) should be calculated using the Zero Waste Goals and maximizing what remains of landfill capacity without height limit increases. To illustrate (note these are not precise calculations), if the goal by 2035 is 75% diversion and the Miramar Landfill has 9 million ton solid waste capacity remaining,, the overall entitlement is 9 million tons divided by number of years to 2035 times 25%, or  $9M/13*0.25 = 173,067$  tons. Then, assuming there are, for example, 400,000 addresses, each address is entitled to  $173,076/400,000$  or 0.43 tons (865 lbs) of solid waste per address per year.
4. There should be no limit on residential entitlement in either recycling or green waste volume, as those items can either be repurposed or diverted and subsequently generate revenue, like with the original hog feed debate that triggered the People's Ordinance in the first place.
5. Fees charged to residents are permissible for waste collection beyond that entitlement. Such fees would incentivize the continued reduction of waste. The fees should be structured in a pay-as-you-throw (PAYT) model where the fee is based on the volume of solid waste.

In governance:

6. The City should approach residential waste collection in a manner that encourages pricing competition, community choice, and operational efficiencies for the waste hauler over the long term. Pricing should account for operational and administrative costs.
7. The opportunity exists to improve the efficiency of waste collection. While the City should be permitted to bid on waste collection, outsourcing should be explored.
8. Any franchise fees the City may earn through the above entitlement fees or the private operator revenues from recycling or repurposing of green waste must also be placed into an Enterprise Fund to pay for the maintenance of, and if needed due to failing to reach zero waste goals, the building of additional landfill and recycling capacity. These



revenues may also be used for the costs of compliance with state-mandated regulations, but ultimately, the franchise fee amounts should be limited to compliance, maintenance, and additional landfill capacity. If there is excess in the fund from franchise fees, then the revenue should be used for rate reductions.

9. Solid waste collection fees charged by the operators should be regulated by the city and a cost of service study.
10. The operators should collect all fees and subsequently credit customers for their solid waste entitlement and all their recycling and green waste collections on their individual bills. In other words, every address should see the true cost of their collection and then see the credits from their general fund financed waste collection.
11. The City will also pay the haulers for the number of addresses in their respective service areas (i.e., the city pays for the solid waste entitlement on a uniform basis across haulers and should be based on the cost of service to handle the entitlement amount) as well as for the recycling and green waste collection costs, except such recycling or green waste collection costs may not go above the amounts in any studied cost of service.

Ultimately, these governance principles, in tandem, should assure competition and incentivize private operators and city agencies to manage costs effectively. They further provide an incentive for the private operators and city agencies to maximize earnings on repurposing, but serve the public interest by tying franchise fees to those net earnings.