

# ATTACHMENT A

## City Council Policy Session



City of Phoenix

### Report

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Agenda Date: 2/10/2026, Item No. 2

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## Solid Waste Financial Status and Rate Update - Citywide

This report provides an update on the Public Works Department's Solid Waste Management Program and presents the financial status of the Solid Waste Fund, including current operational impacts and a proposed strategy to address rising costs and ensure the long-term viability of solid waste services.

### **THIS ITEM IS FOR INFORMATION AND DISCUSSION.**

#### **Summary**

The Public Works Department's Solid Waste Management Program provides essential Citywide services to support a safe, clean, and visually appealing environment through the collection, disposal, recycling, composting, and public education related to the community's solid waste stream. The Solid Waste Division provides solid waste collection and post-collection services to more than 425,000 rate-paying customers. Delivering these essential services requires a substantial investment in personnel, fleet, infrastructure, and regulatory compliance, including 626 full-time employees and approximately 656 trucks and pieces of heavy equipment.

In Fiscal Year 2024-25, solid waste collection vehicles traveled nearly five million miles, and collected and processed more than one million tons of material at two City-owned transfer stations, two Materials Recovery Facilities, and one compost facility. The Department also owns and operates the State Route 85 Landfill in Buckeye, Arizona (60 miles from Phoenix), and is responsible for the maintenance and regulatory oversight of five closed landfills within the City.

In April 2016, the City Council adopted a goal to achieve zero waste by 2050. The Department remains committed to achieving this goal and is advancing programs and services designed to reach 50 percent waste diversion by 2030 and zero waste by 2050. As of Fiscal Year 2024-25, the City's waste diversion rate is 33.3 percent, above the Environmental Protection Agency national diversion rate of 32.1 percent. These goals align with the City's Climate Action Plan and focus on increasing material reuse and enhancing recycling efforts to further reduce landfill disposal.

The Solid Waste Management Program operates as an enterprise fund, covering all related expenses, including operations, Capital Improvement Projects, debt service, and indirect costs. Revenues for the Solid Waste Program are generated by three major sources: (1) monthly fees charged for residential household service; (2) disposal fees charged at the transfer stations and landfill; and (3) the sale of recycled materials. Approximately 86 percent of the division's funding is generated from the residential solid waste monthly fee. Chapter 27 of the Phoenix City Code defines residential collection for dwelling units defined as single dwelling units; buildings with less than five dwelling units, including duplex, triplex, and fourplex units; multi-family dwelling units between five and 30 units; mobile home parks, townhomes and condominiums. Unlike many other municipalities, the City does not provide solid waste collection services to commercial or industrial establishments or to any building with more than 30 multi-family dwelling units.

Since the last Council-approved rate adjustment in 2020, the Solid Waste Management Program has experienced significant increases in operational costs and is projecting a budget shortfall in the current fiscal year. Since 2020, the average cost of living in the United States has increased by approximately 25 percent, based on official inflation measures. To address these financial challenges, a proposed multi-year fee adjustment is recommended to ensure the program can continue providing reliable service and meet regulatory compliance requirements for operating and maintaining critical solid waste infrastructure, including active and closed landfills, the compost facility, materials recovery facilities, and transfer stations.

### **Discussion**

Residential solid waste fees are established by Chapter 27 of the Phoenix City Code and are assessed based on the number of living units, containers serviced, and associated operational costs. The current monthly residential solid waste fee is \$37.32, which includes the final two-percent inflationary increase approved in 2020 that took effect on January 1, 2026.

The Public Works Department offers a subscription-based weekly curbside green organics collection service. The program, launched in 2012, is available to properties located within established areas of the City with significant vegetation. The current subscription fee for weekly curbside green organics collection (90-gallon container) is \$5 per month per container. This fee has not been updated since 2012.

Since the last residential rate adjustment approved by City Council in February 2020, the division has experienced substantial cost increases across key operational areas. Staff costs have increased by approximately 32 percent, primarily attributed to the City's recent Class and Compensation Study and rate adjustments made in 2023.

Vehicle and equipment costs have increased by 52 percent, and construction-related costs to maintain critical infrastructure have increased by 40 percent. Despite receiving \$20 million in excise tax bond funding in 2024, implementing operational efficiencies and deferring vehicle replacements and infrastructure projects, the Solid Waste Fund is projected to experience a budget shortfall of up to \$20.8 million in the current Fiscal Year and is forecasted to be drawn close to zero by Fiscal Year 2027-28.

On October 20, 2025, the Solid Waste Rate Advisory Committee met to review the financial status of the Solid Waste Fund and evaluated a 2024 Cost-of-Service Model prepared by NewGen Strategies and Solutions. After evaluation of increased labor, equipment, and infrastructure costs, it was determined that a solid waste rate adjustment was required to maintain service. The Cost-of-Service Model was updated using the most recent budget and billing data and determined that current rates are insufficient to recover the full cost of service. The Solid Waste Rate Advisory Committee unanimously approved staff's proposed recommendation for a multi-year rate increase, an inflationary adjustment, and an increase to the green organics collection subscription fee for consideration by the City Council.

The proposed solid waste fee adjustment was determined by identifying current expenditures and revenues, including the minimum operating reserve requirement (\$50 million) as well as future capital improvement needs. The proposed rate adjustment includes a \$6 monthly increase effective the first bill-day of July 2026 (\$43.32), followed by an additional \$6 increase effective the first bill-day of July 2027 (\$49.32), and a \$5 increase effective the first bill-day of July 2028 (\$54.32). The recommendation includes an annual inflationary adjustment not to exceed five percent, to be applied from July 1, 2029 through June 30, 2034. Staff will review and discuss the required inflationary rate increase with Council annually prior to implementation. Additionally, eligible customers participating in the curbside green organics program would pay one-quarter of the applicable monthly residential solid waste rate.

The proposed adjustments are expected to generate approximately \$87.8 million for the Solid Waste Fund over a three-year period. Beginning in year four, the inflation rate would be reviewed annually and will not exceed five percent. The inflation rate is intended to support long-term fund stability while minimizing the need for larger residential rate increases.

If a solid waste rate adjustment is not implemented for Fiscal Year 2026-27, the City's ability to provide solid waste collection and post-collection services will be severely impacted, resulting in significant service reductions. These impacts would compromise the City's ability to maintain reliable service, meet Council adopted zero waste goals, adequately operate and maintain critical solid waste infrastructure, and comply with

City Code Chapter 27, Maricopa County Environmental Health Code, Arizona Department of Environmental Quality rules, and Federal Environmental Protection Agency regulations.

**Public Outreach**

The February 10, 2026, City Council Policy meeting will initiate public outreach efforts over the next two months. The Public Works Department proposes to engage the community through Community Solid Waste Information Sessions, as outlined in **Attachment A**. These sessions will provide information regarding the Solid Waste Management Program, the costs associated with delivering these critical public services, and an opportunity to provide feedback on the proposed fee adjustment. Community engagement is planned for February and March 2026. Staff will return to City Council in April 2026 with a summary and analysis of public input and seek Council direction on a solid waste rate adjustment to support the long-term financial stability of the Solid Waste Fund.

**Responsible Department**

This item is submitted by Deputy City Manager Alan Stephenson and the Public Works Department.

# ATTACHMENT A



## 2026 PWD Solid Waste Rate Information Sessions

The City of Phoenix invites residents to attend an information session to learn about the Public Works Department's Solid Waste Division rate updates.

### Meeting Dates and Locations

| Date                                     | Time       | Location                         | Room              | Address   |
|--|------------|----------------------------------|-------------------|---|
| February 25, 2026                        | 6:00 p.m.  | Paradise Valley Community Center | Multipurpose Room | 17402 N. 40th Street<br>Phoenix, AZ 85032       |
| March 3, 2026                            | 6:00 p.m.  | Maryvale Community Center        | Auditorium        | 4420 N. 51st Avenue<br>Phoenix, AZ 85031        |
| March 4, 2026                            | 6:00 p.m.  | South Mountain Community Library | Room L162         | 7050 S. 24th Street<br>Phoenix, AZ 85042        |
| March 10, 2026<br>(Conducted in Spanish) | 6:00 p.m.  | Washington Activity Center       | Multipurpose Room | 2240 W. Citrus Way<br>Phoenix, AZ 85015         |
| March 12, 2026<br>(Conducted in Spanish) | 6:00 p.m.  | Desert West Community Center     | Multipurpose Room | 6501 W. Virginia Avenue<br>Phoenix, AZ 85035    |
| March 16, 2026                           | 10:00 a.m. | Virtual WebEx Meeting            | —                 | —   |
| March 17, 2026                           | 6:00 p.m.  | Encanto Park Clubhouse           | —                 | 2605 N. 15th Avenue<br>Phoenix, AZ 85007        |
| March 19, 2026                           | 6:00 p.m.  | Beuf Community Center            | Multipurpose Room | 3435 W. Pinnacle Peak Road<br>Phoenix, AZ 85027 |
| March 25, 2026                           | 6:00 p.m.  | Deer Valley Community Center     | Multipurpose Room | 2001 W. Wahalla Lane<br>Phoenix, AZ 85027       |