

# Solid Waste Division Rate Adjustment Update

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Ric Hutchinson  
R3 Consulting Group

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# Solid Waste Division

## Rate Model

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### ❑ Objectives

- ❑ Proposed rate structure is sufficient
  - Operating expenses
  - Capital expenses

# Solid Waste Division

## Rate Model

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### ☐ Rate Setting Factors

#### ☐ Bond coverage requirements

- Annual revenue

#### ☐ Reserve balances

- 45 days of operating expenses at 2009

#### ☐ Maintain Proposition 218 balance

- Residential rates support residential services
- Commercial rates support commercial services

#### ☐ Annual rate adjustments

# Solid Waste Division

## Rate Model

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- ❑ Proposition 218
  - ❑ November 1996
  - ❑ Public notice and hearing for rate increases
    - Multiple years
  - ❑ Maintain Proposition 218 balance
    - Residential rates support residential services
    - Commercial rates support commercial services
  - ❑ Review rate adjustments annually

# Solid Waste Division

## Solid Waste Rate Model Updates

### FY08 – FY12

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#### ❑ 5 Year Rate Model

##### ❑ Rate increases

- Residential - September 1, 2007, and annually thereafter, through September 2011
- Commercial – No rate adjustments September 2007 - 2010

#### ❑ Capital Program

- ❑ Landfill Closure - \$1.3 million ( \$.8M from reserves FY08)
- ❑ Phase II Landfill Closure \$4.0 million (delayed to FY10 affecting 7% rate increase in FY12)
- ❑ Phase III Landfill Closure \$1.8 million (delayed to FY13)
  - Total Landfill Capital - \$7.1 million
- ❑ Eliminated Biosolids/Composting project \$.8M -\$1.6M annual debt FY10 – 12, and thereafter

# Solid Waste Division

## Solid Waste Rate Model Assumptions FY08 – FY12

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### ❑ Revenue - Projections

- ❑ Residential – 1.5% growth per year
- ❑ Commercial 2% growth per year

### ❑ Expenses - Projections

- ❑ Labor 3% per year, All other 3% per year
- ❑ Between FY08 and By FY12 O&M increases by approx. \$12.4M or by \$3.1M per year
- ❑ Annual Debt Service – FY08 - 09 \$1.9M, FY10 \$1.8M, FY11-12 \$.7M

# Solid Waste Division

## Solid Waste Rate Model Assumptions FY08 – FY12

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- ❑ Solid Waste Fund Operations & Maintenance
  - ❑ LNG Fuel Rebate from EPA, FY08 and forward \$.4M annual revenue
  - ❑ FY08 – additional Fuel surcharge appropriation \$277,000. FY09 -12, \$200,000 annually, funded from reserves
  - ❑ FY08 – additional landfill closure settlement appropriation \$270,000, from reserves
  - ❑ Delay in implementation of Solid Waste Impact Fees – FY07-FY12, \$2.0M residential carts, and \$5.3M residential and commercial collection trucks for new growth, from reserves

# Solid Waste Division

## Solid Waste Rate Model Assumptions FY08 – FY12

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- ❑ Commercial and Multi-family Bin Service
  - ❑ Historically separate bin service and rate tables
  - ❑ Commercial and MF serviced by same trucks.
  - ❑ April 07
  - ❑ Multi-Family trash rate alignment, FY12, due to Prop 218 equity balance

# Solid Waste Division

## Solid Waste Rate Model Assumptions FY08 – FY12

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### ❑ Public Works

- ❑ FY08 – 12 - \$561,000 plus a 3% Cola after FY08 to Public Works for Street Tree Maintenance

### ❑ Community Sanitation Division

- ❑ FY08 – 12 - \$958,300 annually – Transfer to Community Sanitation for Litter Control
- ❑ FY08 - 12 - Zero funding to Community Sanitation for Median Island/Street Tree Maintenance (Reduced by \$13.2M, annually \$3.3M)

# Solid Waste Division

## Future Projects included in Rate Model FY08 – FY12

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- ❑ Expand commercial recycling services to all businesses and multi-family complexes
  - Requires 3,600 blue recycling bins and 6 new recycling routes
- ❑ Organics collection in FY 2011, pending legislation
  - Collect food waste from residents in green cart
  - Collect food waste from restaurants in green bins
  - Requires 1,000 green bins and 3 new commercial organic routes
  - Tip Fees not included
- ❑ Expand 62% Diversion rate to 75% by 2012
  - Greenwaste contracts expire 12/31/10 – start new organics collection program 1/1/11

# Rate Model Options

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	
<b>Scenario 1</b>	<b>\$ 13,923,818</b>	<b>\$ 14,563,870</b>	<b>\$ 6,942,940</b>	<b>\$ 7,214,240</b>	<b>\$ 8,048,053</b>	<b>\$ 7,212,002</b>	<b>\$ 7,817,198</b>	<b>\$ 7,303,102</b>	
Residential Rate Adjustment	3.4%	12.0%	4.5%	3.4%	6.0%	5.0%	1.0%	1.0%	59.7%
Annual Residential Rate									
Change - (96 gal Cart)	\$ 0.72	\$ 2.60	\$ 1.09	\$ 0.86	\$ 1.58	\$ 1.39	\$ 0.29	\$ 0.30	\$ 11.88
Base Rate	\$ 20.98	\$ 21.70	\$ 24.30	\$ 25.39	\$ 26.26	\$ 27.83	\$ 29.23	\$ 29.52	
Proposed Rate	\$ 21.70	\$ 24.30	\$ 25.39	\$ 26.26	\$ 27.83	\$ 29.23	\$ 29.52	\$ 29.81	\$ 2,569
Commercial Rate Adjustment	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.0%	40.3%
Annual Commercial Rate									
Change - (1 CY Bin 2 x week)	\$ -	\$ -	\$ -	\$ -	\$ 1.43	\$ -	\$ -	\$ -	\$ 9.12
Base Rate	\$ 71.72	\$ 71.72	\$ 71.72	\$ 71.72	\$ 71.72	\$ 73.16	\$ 73.16	\$ 73.16	
Proposed Rate	\$ 71.72	\$ 71.72	\$ 71.72	\$ 71.72	\$ 73.16	\$ 73.16	\$ 73.16	\$ 73.16	\$ 6,954
<b>Scenario 2</b>	<b>\$ 13,923,818</b>	<b>\$ 15,588,220</b>	<b>\$ 9,235,919</b>	<b>\$ 10,808,384</b>	<b>\$ 12,374,493</b>	<b>\$ 10,679,426</b>	<b>\$ 9,796,529</b>	<b>\$ 7,384,890</b>	
Residential Rate Adjustment	3.4%	16.7%	4.4%	3.3%	3.0%	0.0%	0.0%	0.0%	61.4%
Annual Residential Rate									
Change - (96 gal Cart)	\$ 0.72	\$ 3.62	\$ 1.11	\$ 0.87	\$ 0.82	\$ -	\$ -	\$ -	\$ 10.20
Base Rate	\$ 20.98	\$ 21.70	\$ 25.32	\$ 26.44	\$ 27.31	\$ 28.13	\$ 28.13	\$ 28.13	
Proposed Rate	\$ 21.70	\$ 25.32	\$ 26.44	\$ 27.31	\$ 28.13	\$ 28.13	\$ 28.13	\$ 28.13	\$ 2,559
Commercial Rate Adjustment	0.0%	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	38.6%
Annual Commercial Rate									
Change - (1 CY Bin 2 x week)	\$ -	\$ -	\$ -	\$ -	\$ 2.15	\$ -	\$ -	\$ -	\$ 9.84
Base Rate	\$ 71.72	\$ 71.72	\$ 71.72	\$ 71.72	\$ 71.72	\$ 73.88	\$ 73.88	\$ 73.88	
Proposed Rate	\$ 71.72	\$ 71.72	\$ 71.72	\$ 71.72	\$ 73.88	\$ 73.88	\$ 73.88	\$ 73.88	\$ 6,989

# Solid Waste Division

## Rate Comparison – January 2008

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	Residential Rates	1cy 2x wk	2cy 2x wk	3cy 2x wk
<b>City of Fresno</b>	21.70	71.72	132.23	186.70
<b>City of Bakersfield</b>	27.10	127.11	161.02	203.63
<b>City of Clovis</b>	29.01	122.42	214.09	318.12
<b>Fresno County</b>	32.44	108.83	143.33	175.63
<b>City of Modesto</b>	20.34	59.05	107.57	156.11
<b>City of Visalia - (split 2 cart system)</b>	18.00	71.30	93.70	116.15



# Solid Waste Division

## Recommendations

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- ❑ Consider FY12 proposed Adjustments
  - ❑ Multi-Family bin service, incorporate into Commercial rate structure – resolve inequity, 2012
- ❑ Maintain reserve balance equal to 45 days of operating expenses
- ❑ Annual “Balance Review”
  - ❑ Rates, revenues and costs
  - ❑ Annual prop 218 adjustment if needed

# Solid Waste Division Recommendations

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- ❑ Ratepayer perspective - Scenario 1
  - ❑ Lower initial rates
  
- ❑ City perspective – Scenario 2
  - ❑ Higher reserves = flexibility
  
- ❑ Either Scenario
  - ❑ City stays whole
  - ❑ No significant \$ difference through FY15

# Rate Model Options

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# Questions

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