



## AGENDA

### Special City Council Meeting

and Successor Agency to the  
Former Redevelopment Agency

**Tuesday, December 14, 2021 – 5:30 pm.**

**Council Chambers**

**746 8<sup>th</sup> Street, Wasco, CA 93280**

[www.cityofwasco.org](http://www.cityofwasco.org)

#### SPECIAL NOTICE REGARDING REMOTE PUBLIC PARTICIPATION DUE TO COVID-19\*

Pursuant to the Governor's Executive Order N-08-21, the City Council Members and staff may choose to participate in person or by video conference. The City Council meetings are presented in a hybrid format, both in-person at City Hall and virtually via Zoom Webinar. The public may participate via the following options:

1. Attending in person: All attendees are encouraged to wear a face-covering at all times while in the Council Chambers or City Hall. Please maximize spacing by utilizing all seating in the Chambers.
2. Members of the public can view the City Council meetings live on the city's website: <https://www.cityofwasco.org/306/city-council-meeting-videos>,
3. Additionally, members of the public who wish to make a written comments during the meeting, please email the City Clerk [cityclerk@cityofwasco.org](mailto:cityclerk@cityofwasco.org). Every effort will be made to read your comment into the record; however, they are limited to two (2) minutes. If a comment is received after the comment portion of the meeting but before the meeting is adjourned, the comment will still be included as a part of the record of the meeting but will not be read into the record.

#### **SPECIAL MEETING – 5:30 pm**

- 1) **CALL TO ORDER:** Mayor Reyna
- 2) **ROLL CALL:** Mayor Reyna, Mayor Pro Tem Pallares, Council Members: Cortez, Garcia, Martinez
- 3) **FLAG SALUTE:** Mayor Reyna
- 4) **PUBLIC COMMENTS:**  
This portion of the meeting is reserved for persons desiring to address the Council and including the Council acting as the Governing Board for the Successor Agency on any matter on this agenda and over which the Council and Successor Agency have jurisdiction. Speakers are limited to two (2) minutes. A maximum of Thirty (30) minutes will be allowed for any one subject. Please state your name for the record before making your presentation.

**BROWN ACT REQUIREMENTS:** The Brown Act does not allow action or Discussion on items, not on the agenda (subject to narrow exceptions). This will limit a Councilmember's response to questions and requests made during this comment period.

**5) PUBLIC HEARINGS: None**

**6) NEW BUSINESS:**

- a. Study Session: Review and provide guidance to staff regarding the draft Proposition 218 rate notice to consider the following options:
  - Conceptually approve a March 1, 2022 commercial cost of service rate adjustment of 65%, subject to final review and approval in February 2022.
  - Conceptually approve a 5-year residential and commercial solid waste rate adjustment schedule, subject to final review and approval February 2022.
  - Approve the associated Proposition 218 Notice for a public hearing to adopt rates in February 2022.
  - Consider outsourcing the City's residential and commercial solid waste operations to the private sector as a potential means for lowering solid waste rates. This would mean that the City would no longer provide any solid waste collection services. (Hurlbert)
- b. Review Council Vacancy Options and provide guidance to staff. (Hurlbert)

**7) REPORTS FROM CITY MANAGER:**

**8) REPORTS FROM CITY COUNCIL:**

**9) CLOSED SESSION: None**

**10) CLOSED SESSION ACTION:**

**11) ADJOURNMENT:**

This is to certify that this agenda was posted at Wasco City Hall on December 13, 2021, on/or before 5:30 p.m. The agenda is also available on the City website at [www.cityofwasco.org](http://www.cityofwasco.org)



Maria O. Martinez, City Clerk

*All agenda item supporting documentation is available for public review in the city website [www.cityofwasco.org](http://www.cityofwasco.org) and the office of the City Clerk of the City of Wasco, 746 8<sup>th</sup> Street, Wasco, CA 93280 during regular business hours, 7:30 am – 5:00 pm Monday through Thursday and 8–5 pm Friday (closed alternate Friday's), following the posting of the agenda. Any supporting documentation related to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location and available at the meeting. **Please remember to turn off all cell phones, pagers, or electronic devices during Council meetings.***

*The City of Wasco does not discriminate on the basis of disability in the access to, provision of, or employment in its programs and activities pursuant to 29 United States Code Section 12132 and California Civil Code Section 54.*

*Information regarding the rights provided under the Americans with Disabilities Act (ADA) may be obtained from the City Clerk's Office.*

*If you need special assistance to participate in this meeting, please contact the City Clerk's Office at (661) 758-7215 to make reasonable arrangements to ensure accessibility to this meeting. Telephone (661) 758-7215 Requests for assistance should be made at least two (2) days in advance whenever possible.*



## STAFF REPORT City of Wasco

**TO:** Honorable Mayor and Council Members

**FROM:** M. Scott Hurlbert, City Manager  
Tom Schroeter, City Attorney  
Luis Villa, Public Works Director  
Isarel Perez-Hernandez, Finance Director

**DATE:** December 14, 2021

**SUBJECT:** **Special Council Study Session: Review and Provide Direction to Staff**  
Solid Waste Division Financial Model  
Solid Waste Residential and Commercial Rate Adjustments  
High-Level Assessment of Outsourcing the City's Municipal Solid Waste Collection System to the Private Sector

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### RECOMMENDATIONS

1. Conceptually approve a March 1, 2022 commercial cost of service rate adjustment of **65%**, subject to final review and approval in February 2022.
2. Conceptually approve a 5-year residential and commercial solid waste rate adjustment schedule, subject to final review and approval February 2022 (**Attachment 1, Scenario 2A**).
3. Approve the associated Proposition 218 Notice for a public hearing to adopt rates in February 2022 (**Attachment 2**).
4. Consider outsourcing the City's residential and commercial solid waste operations to the private sector as a potential means for lowering solid waste rates. This would mean that the City would no longer provide any solid waste collection services.

### BACKGROUND

A comprehensive rate study of revenues and expenditures for the Sanitation Enterprise fund was presented to the City Council on January 17, 2012 with RESO No. 2012-2834 for approval. The City has operated for nine years without a comprehensive rate study. Consequently, the City engaged R3 Consulting Group (R3) to develop a Solid Waste Enterprise Fund 10-year financial model and evaluate various rate adjustment options (scenarios) for the next five years. A summary of the results of their analysis is provided in **Attachment 1** and their full report is provided in **Attachment 3**.

To comply with SB 1383 the City needs to provide residential recycling service to all residential accounts and commercial recycling and organic waste collection to all accounts unless they qualify for a de minimis or limited storage space waiver. The City is in the process of finalizing the negotiation of a franchise agreement with American Refuse to provide those additional residential and commercial services that the City needs to comply with SB 1383.

The City's residential rate (\$28.12/month) is at the higher end of the average residential rate in the region and that rate does not include residential recycling services, which the City needs to implement to comply with SB 1383. Residential recycling service will add an additional \$5.28 per month to the current residential rate assuming biweekly collection and \$8.28 for weekly collection,

The Division is projecting a \$900,000 (~30%) revenue shortfall for FY 21-22. While the Division entered FY 21-22 with a healthy operating reserve balance of \$3.4 million, without a rate adjustment that reserve will be completely exhausted within two years. For the Division to remain financially viable significant additional revenue is needed to address the current 30% revenue shortfall, the additional costs associated with the required residential recycling and commercial recycling and organics collection services, the necessary replacement of collection vehicles that have outlived their useful life, and other cost increases.

## DISCUSSION

### Rate Adjustment Options

In considering rate adjustment options it is important to understand that residential rates currently appear to be subsidizing the commercial rates, which are not sufficient to cover the associated commercial costs. With that said, the City has two basic options for increasing rates to generate the additional required revenue:

1. Increase residential and commercial rates by the same amount; or
2. Increase commercial rates by **65%** to bring them in line with the associated commercial expenses (i.e., set cost of service residential and commercial rates), and then increase residential and commercial rates by the same amount to generate the additional required revenue.

The following rate adjustment scenarios, which are summarized in **Attachment 1** were considered:

**Scenario 1A (Weekly Residential Recycling)** - A **20%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **30%** commercial rate increase effective July 1, 2022, followed by **5%** annual residential and commercial rate increases each of the next four years.

**Scenario 1B (Bi-Weekly Residential Recycling)** - A **15%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **25%** commercial rate increase effective

July 1, 2022, followed by **5%** annual residential and commercial rate increases each of the next four years.

**Scenario 2A (Weekly Residential Recycling)** - A **10%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **20%** commercial rate increase effective July 1, 2022, followed by **10%** annual residential and commercial rate increases each of the next three years, followed by a **5%** residential and commercial rate increase effective July 1, 2026.

**Scenario 2B (Bi-Weekly Residential Recycling)** - A **5%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **15%** commercial rate increase effective July 1, 2022, followed by **10%** annual residential and commercial rate increases each of the next three years, followed by a **5%** residential and commercial rate increase effective July 1, 2026.

The scenarios 1A & 2A above assume weekly residential recycling. Implementing biweekly residential recycling 1B & 2B above rather than weekly service would allow the City to reduce the residential and commercial rate adjustment by approximately **5.0%**. In addition, should the City finance the planned purchase of two (2) new refuse vehicles through the general fund, rather than solid waste rates, the combined July 1, 2022 residential and commercial rate adjustment could be reduced by an additional **2.0%**

#### Outsourcing of Solid Waste Collection Services

There are pros and cons of operating municipal solid waste collection services or franchising those services to the private sector. One of the major advantages of municipal services is the direct control of the City's solid waste collection system and the elimination of the need to manage a private sector operator. With that total control, however, also comes total responsibility for the safety, regulatory compliance, and finances of that system.

While the City needs to increase rates at this time, it may also wish to consider outsourcing the City's municipal solid waste operations to the private sector as a potential means for reducing solid waste rates. The City of Shafter recently outsourced its municipal operations to American Refuse. The associated residential rate (\$27.16/month) is less than Wasco's current residential rate (\$28.12) without accounting for any increase to the City's rate to provide for required residential recycling services. In short, this \$27.16 rate already reflects the proposed rate increases needed to meet SB 1383 requirements. That \$27.16/month rate also includes a 15% franchise fee to the City. Assuming American Refuse or another private sector hauler could provide similar residential rates, and competitive commercial rates there could be a net financial benefit to both the City and its ratepayers. For example, this most closely compares with the July 1, 2022 proposed rate of \$37.12 under recommended **Scenario 1A**, which accounts for the removal of the residential rate subsidy and no phasing.

If the City were to outsource operations it is recommended that any such contract award require the selected contractor to, at minimum:

1. Offer employment to all qualified, displaced City employees;
2. Provide medical and dental coverage and a matching 401K retirement program;
3. Maintain the former City employees' seniority levels; and
4. Honor all existing prescheduled vacation time.

### Proposition 218 Noticing

Under Proposition 218 adopted by the voters in June 1996, mailed notices regarding any proposed water, sewer or solid waste rate increases must be provided to all affected customers at least 45 days before they can be considered at a public hearing by the Council for adoption. If protests are received from a majority of customers by the public hearing, the rate increases cannot go forward. The Council can adopt lower rates at that time without re-noticing but it cannot adopt higher ones.

For multi-year rate increases such as those proposed, only one rate notice and hearing is required for adoption, as long as the multi-year increases are clearly presented in the notice.

The proposed draft notice is provided in **Attachment 2** (Table 1 will be prepared based on Council direction at this meeting).

### Schedule

The following summarize the proposed rate adoption steps and schedule.

When	What
December 14	Special Council Study Session <ul style="list-style-type: none"> <li>• Consider R3 rate study</li> <li>• Review draft Proposition 218 rate notice</li> </ul>
December 20	Mail Proposition 218 rate notices (at least 45 days before rate hearing)
February 15, 2022	Regular Council Meeting (public hearing): Approve multi-year rate increase
March 1	Implement commercial rate restructuring.
July 1	<ul style="list-style-type: none"> <li>• Implement first of across-the-board residential and commercial rate increases</li> <li>• Begin implementing recycling/organics waste program</li> </ul>

### **FISCAL IMPACT**

The various scenarios described in this Staff Report will ensuring fiscal solvency for the City's Sanitation Enterprise fund. Direction to study alternate options will increase impact to the Enterprise's reserves.

## **ATTACHMENTS**

1. Summary of Rate Adjustment Scenarios
2. Proposition 218 Notice
3. Solid Waste Rate Study and Financial Plan, R3 Consultants



	A	B	C	D	E	F	G	H
3		<b>Scenario 1A - Weekly Residential Recycling</b>						<b>Residential</b>
4		<b>3/1/2022</b>	<b>7/1/2022</b>	<b>7/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>cummulative</b>
5		Residential Rate Adjustment	20.0%	10.0%	5.0%	5.0%	5.0%	60%
6		Commercial Rate Adjustment	65.0%	30.0%	5.0%	5.0%	5.0%	161%
7		Annual Surplus / Shortfall	\$ (585,719)	\$ (521,951)	\$ (453,831)	\$ (379,437)	\$ (298,370)	
8		FYE Operating Reserves	\$ 2,796,199	\$ 2,274,249	\$ 1,820,418	\$ 1,440,981	\$ 1,142,612	
9		Residential Rate	\$ 33.74	\$ 37.12	\$ 38.97	\$ 40.92	\$ 42.97	
10	Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 484.08	\$ 508.29	\$ 533.70	\$ 560.39	\$ 588.41	
11		<b>Scenario 1B - Bi-Weekly Residential Recycling</b>						<b>Residential</b>
12		<b>3/1/2022</b>	<b>7/1/2022</b>	<b>7/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>cummulative</b>
13		Residential Rate Adjustment	15.0%	10.0%	5.0%	5.0%	5.0%	54%
14		Commercial Rate Adjustment	65.0%	25.0%	5.0%	5.0%	5.0%	151%
15		Annual Surplus / Shortfall	\$ (613,953)	\$ (529,061)	\$ (464,552)	\$ (394,047)	\$ (317,163)	
16		FYE Operating Reserves	\$ 2,767,965	\$ 2,238,904	\$ 1,774,352	\$ 1,380,305	\$ 1,063,142	
17		Residential Rate	\$ 32.34	\$ 35.57	\$ 37.35	\$ 39.22	\$ 41.18	
18	Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 465.47	\$ 488.74	\$ 513.18	\$ 538.83	\$ 565.78	
19		<b>Scenario 2A - Weekly Residential Recycling</b>						<b>Residential</b>
20		<b>3/1/2022</b>	<b>7/1/2022</b>	<b>7/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>cummulative</b>
21		Residential Rate Adjustment	10.0%	10.0%	10.0%	10.0%	5.0%	69%
22		Commercial Rate Adjustment	65.0%	20.0%	10.0%	10.0%	5.0%	177%
23		Annual Surplus / Shortfall	\$ (642,188)	\$ (861,683)	\$ (616,028)	\$ (335,769)	\$ (17,147)	
24		FYE Operating Reserves	\$ 2,739,730	\$ 1,878,047	\$ 1,262,019	\$ 926,250	\$ 909,103	
25		Residential Rate	\$ 30.93	\$ 34.03	\$ 37.43	\$ 41.17	\$ 45.29	
26	Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 446.85	\$ 491.53	\$ 540.68	\$ 594.75	\$ 624.49	
27		<b>Scenario 2B - Bi-Weekly Residential Recycling</b>						<b>Residential</b>
28		<b>3/1/2022</b>	<b>7/1/2022</b>	<b>7/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>cummulative</b>
29		Residential Rate Adjustment	5.0%	10.0%	10.0%	10.0%	5.0%	61%
30		Commercial Rate Adjustment	65.0%	15.0%	10.0%	10.0%	5.0%	165%
31		Annual Surplus / Shortfall	\$ (670,423)	\$ (868,794)	\$ (635,242)	\$ (368,640)	\$ (65,391)	
32		FYE Operating Reserves	\$ 2,711,495	\$ 1,842,702	\$ 1,207,460	\$ 838,820	\$ 773,429	
33		Residential Rate	\$ 29.53	\$ 32.48	\$ 35.73	\$ 39.30	\$ 43.23	
34	Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 428.23	\$ 471.05	\$ 518.16	\$ 569.97	\$ 598.47	
35								
36								
37								



**Notice to Property Owners of Public Hearing  
Regarding Proposed Solid Waste Rate Changes**

Hearing Date & Time: \_\_\_\_\_, 2022 at \_\_\_\_\_ p.m.  
Hearing Location: Wasco City Council Chambers  
746 8th St, Wasco, CA 93280

**Why are you receiving this notice?**

The City of Wasco (the "City") is mailing this notice to you because you are a solid waste customer directly liable for payment of solid waste service fees, or are the owner of record of a property that receives solid waste services. This notice describes proposed **rate changes** to be assessed to recover cost of providing solid waste service to City customers, and provides a notice of a public hearing to be held on **February 15, 2022** regarding these proposed changes.

Monthly solid waste service fees are the primary source of revenue used to pay for all aspects of the solid waste operations that provide services to customers. Expenses for those services include, but are not limited to, operations and maintenance, debt service, major and minor capital improvements, administration, as well as costs related to prudent long-term operational, capital planning and financial management of the systems. Financial management would include maintaining adequate fund reserves and planning for contingencies.

**Why are Rate Increases needed?**

The City of Wasco is committed to providing high quality, reliable solid waste service at the lowest possible rates for its citizens. Rates have not been increased in the past 5 years and costs over that time have increased significantly. In addition, SB 1383 (Short-lived climate pollutants) requires the City to implement new residential and commercial services at considerable additional expense. To provide for the ongoing viability of current operations, and fund the additional SB 1383 residential and commercial services rate increases are necessary.

**What do the new rates look like?**

Table 1 below identifies the Residential and Commercial rate increases that are currently set to be assessed over the next five years. As shown, an initial commercial rate adjustment is to become effective on March 1, 2022, followed by a July 1, 2022 rate increase to both residential and commercial rates. Annual rate adjustments to become effective on July 1<sup>st</sup> of each of the following four years are also shown.

**Table 1  
Proposed Annual Rate Adjustments**

**How do you file a protest or participate in the public hearing?**

Any property owner of a parcel subject to City solid waste service fees or any tenant directly responsible for the payment of solid waste service fees (i.e., a customer of record) may submit a written protest to the proposed rate changes. Only one protest will be counted per identified parcel. Should there be property owners who own multiple properties and wish to submit a protest letter, they may list those properties with the respective parcel number on one letter and each parcel will be counted provided there were no other letters received for that parcel.

**Every written protest MUST include ALL of the following to be counted:**

- (1) State that the identified property owner or customer of record is in opposition to the proposed rate changes;
- (2) Provide the location of the identified parcel by including the street address or assessor's parcel number (APN);
- (3) Include the name and signature of the property owner or customer of record submitting the protest.

Written protests may be submitted by mail to the City Clerk at 746 8th St, Wasco, CA 93280, in person to the City Clerk, or at the Public Hearing (date and time noted above). Regardless of how the written protest is submitted, it must be received by the City prior to the conclusion of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any written protest, whether mailed or submitted in person to the City Clerk, that the enclosed protest is for the Public Hearing on the Proposed Rate Changes - Solid Waste Service Fees.

The City Council will hear and consider all written and oral protests to the proposed rate changes at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, there will be no more written protests accepted and no more testimony taken and the City Council will consider adoption of the proposed rates for residential and commercial solid waste services described in this notice. If written protests against the proposed rates, as outlined above, are not presented by a majority of property owners or customers of record, the City Council will be authorized to impose the proposed rates. If adopted, the rates for solid waste will be in effect on the dates shown in Table 1.

If you have any questions about the proposed rate changes or would like to see more information about data used for the study, please contact \_\_\_\_\_ 8:00 a.m. to 5:00 p.m. Monday through Friday. Additional information and documents related to the proposed rate changes can be found on the City of Wasco's website at [www.cityofwasco.org/xxxxx](http://www.cityofwasco.org/xxxxx).

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**Final Report:**

## **Solid Waste Rate Study and Financial Plan**



**SUBMITTED TO:**

**City of Wasco, CA**

December 13, 2021

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R3

# 1 Introduction

R3 Consulting Group, Inc. (R3) was engaged by the City of Wasco (City) to provide a range of consulting services including:

- Developing an SB 1383 Legislative Compliance Plan;
- Providing Public Education and Outreach Assistance; and
- Developing a Solid Waste Enterprise Fund 10-Year Financial Model.

This document addresses the Financial Model task of our work scope.

## 2 Objective

To develop a high-level Excel-based Financial Model to project the Sanitation Division's (Division) Solid Waste Enterprise Fund revenues and expenses over a ten (10) year planning period, and use that Financial Model to evaluate adjustments to the solid waste rates needed to cover required capital and operating costs.

The City subsequently requested that R3 provide a high level assessment of outsourcing the Division's operations to the private sector and potential rate impacts. That assessment is provided in **Section 7**, at the end of this report.

## 3 Background

The Division provides weekly residential solid waste and yard waste collection services and weekly commercial solid waste collection services. Residents are provided with 90-gallon solid waste and yard waste containers. Residential recycling service is not currently provided. Commercial and multi-family accounts can choose from 90 and 300-gallon carts, and 1.5 and 3.0 cubic yard metal bins. The City is currently negotiating an exclusive franchise agreement with American Refuse for residential recycling service, and commercial organics and recycling service. The City previously had an exclusive franchise with American Refuse for roll-off service but that contract has expired. American Refuse continues to provide roll-off services and the City is evaluating contracting options for roll-off service.

The City's current residential rate is **\$28.12** per month for weekly solid waste and yard waste collection services. The rate has not been increased in over five (5) years; since January 1, 2016. The Sanitation Enterprise Fund's fiscal year (FY) 21-22 budget projects a revenue shortfall of **\$900,000**, which would require a rate increase of approximately **30%** to bring revenues in line with expenses. In addition, the City needs to provide residential curbside recycling service, and provide for the collection of residential food waste and other organic material along with yard waste, through its existing residential yard waste collection program. The City also needs to provide expanded commercial recycling and commercial organic waste collection. These new and expanded residential and commercial programs are required to comply with SB 1383.

The Enterprise Fund had approximately **\$3.4 million** in operating reserves at the beginning of this fiscal year (21-22). While those operating reserves can be used to address the significant projected FY budget shortfall, rates need to be significantly increased to provide the revenue needed to maintain the financial viability of the Enterprise Fund and the Division's operations.

## 4 Findings

### 4.1 Major Findings

#### 1. Current Revenues do not Cover Expenses

Fiscal Year (FY) 21-22 revenues for the Sanitation Enterprise Fund are projected to be approximately **\$3.1 million**, with **\$2.8 million** in Sanitation Service Charges (rate revenues). Total operating (**\$3.8 million**) and other expenses (**\$200,000**) are projected at approximately **\$4.0 million**, resulting in a FY deficit of approximately **\$900,000** or **30%**.

#### 2. The Sanitation Enterprise Fund has Significant Operating Reserves

At the end of FY 20-21 the Sanitation Enterprise Fund had **\$3.4 million** in operating reserves (Unrestricted Fund Balance); **85%** of total projected FY expenses. The City's policy is for enterprise funds to target operating reserves at **25%** of total expenses. The City could use **\$2.7 million** of that operating reserve to fund various near term expenses and still have an operating reserve of more than **25%** of expenses.

#### 3. SB 1383 Compliance will Require Significant Additional Residential and Commercial Costs

To comply with SB 1383 the City needs to provide residential recycling services and expand its residential yard waste program to include food waste and other organic materials. The City also needs to provide commercial recycling and organics collection services to all commercial accounts that do not qualify for an SB 1383 waiver. The City is negotiating with American Refuse for the provision of residential recycling, and commercial recycling and organics services.

In addition, to comply with SB 1383 the City needs to provide required public education and outreach, put in place an edible food recovery program, and implement an inspection and enforcement program, among other things. Additional revenue will be needed to fund those additional expenses. The annual cost of those requirements is projected to be **\$150,000**.

#### 4. The City's Residential Rate is High Compared to Surrounding Jurisdictions

Residential rates were last updated January 1, 2016. The City's monthly residential rate of **\$28.12** is high as compared to the rates in neighboring jurisdictions, particularly given the fact that rate does not include the cost of a residential recycling program. **Attachment 1** provides the results of a recent survey of residential rates in the region conducted by R3 for another project.

#### 5. Residential Cost per Gallon is Significantly Higher than the Commercial Cost per Gallon

The City's monthly residential rate of **\$28.12** equates to a cost of **\$0.31** per monthly gallon of service, as compared to a commercial cost of **\$0.19** per monthly gallon of service across all commercial rates. A survey of rates in the region found an average residential cost per



gallon of **\$0.29**, and an average commercial cost per gallon of **\$0.31**, although that relationship can vary widely among jurisdictions.<sup>1</sup>

## 6. Residential Rates are Subsidizing Commercial Rates

Commercial revenues make up approximately **35%** of total solid waste rate revenues, not including Wasco State Prison revenue, with residential revenues accounting for the remaining **65%**. A high level review of the total number of residential routes and commercial routes found that commercial routes account for **47%** of the total daily routes while residential routes accounted for **53%**. If we assume the percentage of total daily routes is roughly equal to the associated cost of service, which is not an unreasonable high level assumption, commercial expenses comprise **47%** of total expenses, while commercial revenues only account for **35%** of total revenues. The residential rates are subsidizing commercial expenses.

## 5 Volume Based Rates = Cost of Service Rates

To set the per gallon commercial rate (**\$0.19/gallon**) equal to the per gallon residential rate (**\$0.31** per gallon) requires an commercial rate increase of **65%**. That rate increase would result in residential revenues comprising **52%** of total solid waste revenues, not including Wasco State Prison, and commercial revenues comprising the remaining **48%**. This would effectively establish cost of service residential and commercial rates, which is a best practice, and consistent with Proposition 218. A cost of service commercial rate increase will bring commercial rates more in line with the true cost of commercial services, and also allow for a lower required residential rate increase.

## 6 City Rate Payers rate Likely Subsidizing Prison Collection Services

Given the need for such a significant commercial rate increase is seems likely in that case that prison revenues will not cover the associated expenses, and the City's ratepayers will be subsidizing the prison's collection operations.

## 7 Weekly Versus Biweekly Residential Recycling Service Rate Impact

American Refuse has provided rates for both weekly and biweekly (every other week) residential recycling services. While weekly recycling services are most common, biweekly service is not that uncommon. Biweekly residential recycling service is projected to cost approximately **\$160,000** less than weekly service annually. This equates to a **5%** one-time lower rate adjustment to fund biweekly vs. weekly residential recycling service (e.g., If a **20%** rate increase were required on July 1, 2022 assuming weekly residential recycling, that rate increase could be reduced to **15%** if biweekly recycling were implemented instead of weekly).

## 8 Rate Impact of Funding Two Solid Waste Vehicles through the General Fund

The City has expressed a potential interest in funding the purchase of two (2) new solid waste vehicle through the City's General Fund rather than the solid waste rates to reduce the required rate increase. Doing so would result in a **\$700,000** decrease in capital expenses, which translates into a **2.0%** lower July 1, 2022 rate adjustment than would be

<sup>1</sup> For 90 gallon residential service and 2 yard commercial service one time per week.

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required if that cost were funded through the rate base (a **\$70,000** annually rate base savings over the 10-year planned life of those vehicles).

## 4.2 Other Findings

### 7. Collection Labor Costs are High Due to Collection Schedule

The Division's residential drivers operate on a five (5) days per week, eight (8) hours per day schedule but only provide residential collection services four days per week. On Wednesdays drivers perform certain solid waste related tasks but also non-solid waste collection related tasks. As a result, the associated solid waste rates are higher than they would be if drivers conducted collection activities 5 days per week and the non-solid waste related tasks they perform on Wednesdays were not their responsibility and funded through a means other than the solid waste rates.

### 8. The Division's Vehicle Fleet Is Old and Many Vehicles Need to be Replaced

Many of the Division's collection vehicles are old and are in need of replacement. The Division's vehicle replacement schedule calls for replacing six (6) collection vehicles and one street sweeper over the next five years (through FY 25-26) at an average annual cost of approximately **\$450,000**. The Financial Model accounts for this expense.

### 9. Division's Contribution to New Corporation Yard

The City's Capital Improvement Program includes a new Public Works facility at a projected cost of **\$5 million**. The Division's projected contribution to that cost is **\$1.67 million** over 20 years or approximately **\$83,000** annually. The Financial Model accounts for this expense.

## 5 Rate Related Recommendations

### 5.1 Major Recommendations

#### 1. Consider July 1, 2022 American Refuse Start Date

With the pending execution of a franchise agreement with American Refuse, residential recycling and commercial recycling and organic services will need to be rolled-out in the City. Waiting until July 1, 2022 to roll-out those services takes pressure off of both the City and American Refuse to put those programs in place sooner (e.g., March 1<sup>st</sup>). That provides more time for public education and outreach, and for the full and successful roll-out of the program.

#### 2. Increase Commercial Rates 65% and Consider Doing so on March 1, 2022

To eliminate the existing residential rate subsidy increase commercial rates by **65%** and establish cost of service residential and commercial rates. The City is considering/planning a March 1, 2022 rate adjustment, as well as a July 1, 2022 rate adjustment. In that case, we suggest the City increase commercial rates by 65% on March 1, 2022. Having established commercial (and as a result residential) cost of service rates on March 1<sup>st</sup>, the

subsequent July 1, 2022 rate adjustment would then be an across the board rate increase to both the residential and commercial rates.

### **3. Increase Rates No Later than July 1, 2022**

Increase residential and commercial rates as approved by the City Council on July 1, 2022 and annually thereafter as required to maintain the financial viability of the Enterprise Fund. Review residential and commercial revenues and expenses at least annually to determine how well they are tracking with projections, and make any necessary adjustments to the 5-year approved rate schedule.

### **4. Determine What if Any Other Rate Adjustment Options to Implement**

The rate adjustment scenarios that are presented below assume weekly residential recycling service. As discussed above, biweekly versus weekly residential recycling services would allow for the July 1, 2022 across the board rate increase to be reduced by **5%**.

The rate adjustment scenarios below also assume that no General Fund revenues are used to purchase solid waste vehicles, with all scheduled vehicle replacements funded through the solid waste rates. As discussed above, funding two solid waste vehicles through the General Fund would allow the July 1, 2022 across the board rate increase to be reduced by **2%**.

## **5.2 Other Recommendations**

### **5. Consider Clarifying Commercial Rate Descriptions**

The City has commercial rates for various shared commercial services, however it is not intuitive as to what the various associated rate descriptions refer to (e.g., 1/4, 2/3, 3/4). We suggest the City clarify those descriptions in a published rate sheet so that it is clear to the reader as to the meaning of the various shared rates. Additionally, if the City is billing multiple businesses for shared services it may wish to consider adding an administrative charge for shared containers.

### **6. Billing Audit**

If the City has not conducted a billing audit in the past several years we recommend it do so. The purpose of such an audit is to ensure that all accounts that are receiving service are paying for that service, and that the rate each account is being charged is the correct rate for the associated service level.

### **7. Determine the Cost of Prison Collection Operations Prior to any Extension to that Contract**

Prison revenues are adjusted based on the terms of the existing contract, with the disposal cost component of the rate increased by **4%** annually and the collection portion of the rate increased by **3.0%** annually, versus the **65%** rate adjustment to the remaining portion of commercial rate revenue needed to bring commercial revenues in line with commercial expenses. As such, assuming the same unit cost of collection for the City's prison collection

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operations as that of the other commercial collection operations, the City's commercial rates are subsidizing the Prison's collection operations.<sup>2</sup>

## 6 Rate Adjustment Scenarios

### 6.1 Factors Common to All Rate Adjustment Scenarios

Our rate adjustment scenarios account for the Division's FY 21-22 budgeted expenses, with **5%** annual increase going forward to adjust for inflation,<sup>3</sup> along with the following additional expenses:

- Full funding of vehicle replacements per the Division's vehicle replacement schedule;
- Annual funding of **\$83,333** over 20 years for the Division's one-third funding of a **\$5 million** public works facility;
- **\$150,000** in projected SB 1383 compliance related funding; and
- **\$1.05 million** annually to fund American Refuse's weekly residential recycling, and commercial recycling and organic waste collection programs starting July 1, 2022.

#### Notes:

1. American Refuse's proposed rates include a 12% franchise fee which is projected to generate approximately **\$94,000** in franchise fees to the City assuming weekly residential recycling, and **\$77,000** assuming biweekly residential recycling.
2. The projected funding for American Refuse's programs assume that 4,521 residential accounts are provided with one (1) 96-gallon recycling cart, and 824 commercial and multi-family accounts are provided with one (1) 96-gallon recycling and one (1) 96-gallon organics cart collected one time per week. It is assume those service levels would be billed as a "bundled" residential and commercial rate tied to the refuse rate. It is assume that any additional service levels (e.g., twice per week commercial collection), would be billed at the additional incremental rate.
3. The rate adjustment scenarios assume that revenues from the Prison are increased by **3%** annually.<sup>4</sup>

<sup>2</sup> The prison collection operations are a unique component of the City's commercial collection operations. The efficiency of those services may vary from commercial collection operations in the City, and as such the associated unit cost may vary.

<sup>3</sup> Solid waste expenses have tended to increase at a rate greater than the Consumer Price Index (CPI).

<sup>4</sup> The collection portion of the Prison rate accounts for more than 80% of the total cost. For purposes of projecting Prison revenues we have assumed a 3% annual rate increase to be conservative.

## 6.2 Residential and Commercial Rate Adjustments

We have prepared the following four (4) rate adjustment scenarios for the City's consideration, which are summarized in **Table 1** below.

**Scenario 1A (Weekly Residential Recycling)** - A **20%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **30%** commercial rate increase effective July 1, 2022, followed by **5%** annual residential and commercial rate increases each of the next four years (**Attachment 2**).

**Scenario 1B (Bi-Weekly Residential Recycling)** - A **15%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **25%** commercial rate increase effective July 1, 2022, followed by **5%** annual residential and commercial rate increases each of the next four years (**Attachment 3**).

**Scenario 2A (Weekly Residential Recycling)** - A **10%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **20%** commercial rate increase effective July 1, 2022, followed by **10%** annual residential and commercial rate increases each of the next three years, followed by a **5%** residential and commercial rate increase effective July 1, 2026 (**Attachment 4**).

**Scenario 2B (Bi-Weekly Residential Recycling)** - A **5%** residential rate increase and a **65%** commercial rate increase effective March 1, 2022, followed by a **10%** residential rate increase and a **15%** commercial rate increase effective July 1, 2022, followed by **10%** annual residential and commercial rate increases each of the next three years, followed by a **5%** residential and commercial rate increase effective July 1, 2026 (**Attachment 5**).

The City's policy is to target Operating Reserves at **25%** of expenses. Each of these four scenarios provides for a projected fiscal year operating reserve of **25%** or more of expenses for the next two fiscal years, with projected operating reserves at the end of the five year planning period (FYE 26-27) equal to approximately 2 months of operating reserves (**17%** of expenses), which we suggest is not unreasonable.

As discussed above, funding two FY 21/22 vehicle purchases through the General Fund would allow for a **2%** reduction in both the residential and commercial July 1, 2022 rate adjustment.

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**Table 1**  
**Summary of Rate Adjustment Scenarios**

Scenario 1A - Weekly Residential Recycling						
	3/1/2022	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
Residential Rate Adjustment	20.0%	10.0%	5.0%	5.0%	5.0%	5.0%
Commercial Rate Adjustment	65.0%	30.0%	5.0%	5.0%	5.0%	5.0%
Annual Surplus / Shortfall	\$ (585,719)	\$ (521,951)	\$ (453,831)	\$ (379,437)	\$ (298,370)	\$ (210,206)
FYE Operating Reserves	\$ 2,796,199	\$ 2,274,249	\$ 1,820,418	\$ 1,440,981	\$ 1,142,612	\$ 932,405
Residential Rate	\$ 33.74	\$ 37.12	\$ 38.97	\$ 40.92	\$ 42.97	\$ 45.12
Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 484.08	\$ 508.29	\$ 533.70	\$ 560.39	\$ 588.41
Scenario 1B - Bi-Weekly Residential Recycling						
	3/1/2022	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
Residential Rate Adjustment	15.0%	10.0%	5.0%	5.0%	5.0%	5.0%
Commercial Rate Adjustment	65.0%	25.0%	5.0%	5.0%	5.0%	5.0%
Annual Surplus / Shortfall	\$ (613,953)	\$ (529,061)	\$ (464,552)	\$ (394,047)	\$ (317,163)	\$ (233,497)
FYE Operating Reserves	\$ 2,767,965	\$ 2,238,904	\$ 1,774,352	\$ 1,380,305	\$ 1,063,142	\$ 829,646
Residential Rate	\$ 32.34	\$ 35.57	\$ 37.35	\$ 39.22	\$ 41.18	\$ 43.24
Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 465.47	\$ 488.74	\$ 513.18	\$ 538.83	\$ 565.78
Scenario 2A - Weekly Residential Recycling						
	3/1/2022	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
Residential Rate Adjustment	10.0%	10.0%	10.0%	10.0%	10.0%	5.0%
Commercial Rate Adjustment	65.0%	20.0%	10.0%	10.0%	10.0%	5.0%
Annual Surplus / Shortfall	\$ (642,188)	\$ (861,683)	\$ (616,028)	\$ (335,769)	\$ (17,147)	\$ 85,077
FYE Operating Reserves	\$ 2,739,730	\$ 1,878,047	\$ 1,262,019	\$ 926,250	\$ 909,103	\$ 994,180
Residential Rate	\$ 30.93	\$ 34.03	\$ 37.43	\$ 41.17	\$ 45.29	\$ 47.55
Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 446.85	\$ 491.53	\$ 540.68	\$ 594.75	\$ 624.49
Scenario 2B - Bi-Weekly Residential Recycling						
	3/1/2022	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
Residential Rate Adjustment	5.0%	10.0%	10.0%	10.0%	10.0%	5.0%
Commercial Rate Adjustment	65.0%	15.0%	10.0%	10.0%	10.0%	5.0%
Annual Surplus / Shortfall	\$ (670,423)	\$ (868,794)	\$ (635,242)	\$ (368,640)	\$ (65,391)	\$ 30,864
FYE Operating Reserves	\$ 2,711,495	\$ 1,842,702	\$ 1,207,460	\$ 838,820	\$ 773,429	\$ 804,293
Residential Rate	\$ 29.53	\$ 32.48	\$ 35.73	\$ 39.30	\$ 43.23	\$ 45.39
Commercial Rate 1 Metal Bin 2XWK	\$ 372.37	\$ 428.23	\$ 471.05	\$ 518.16	\$ 569.97	\$ 598.47

## 7 High Level Assessment of Outsourcing

### 7.1 Findings

#### 1. Advantage of Municipal Operations

Perhaps the greatest advantage of the City maintaining municipal collection operations is the direct control the City has over its solid waste management system, including customer service. Additionally, with municipal operations the City does not have to manage a contract with a private sector operator. With that total control however also comes total responsibility for the safety, and operational, financial, and regulatory compliance aspects of those services.

#### 2. Municipal Versus Outsourced Operations in California

Of the more than 500 incorporated cities and counties in California, the vast majority contract with the private sector for some or all solid waste management services through exclusive and/or non-exclusive franchises. There are currently less than 50 municipal operated solid waste management collection systems in California, many in the central valley. With outsourced operations the City would have reduced regulatory compliance and staff management responsibilities, and any future pension liability would be eliminated, but it would need to manage a private sector contractor and would not have direct control over customer service and other aspects of the collection operations.

#### 3. Outsourcing of Municipal Refuse Services May Offer Economic and Other Benefits to City Ratepayers

As noted above, the City's residential and commercial rates are high compared to neighboring jurisdictions. There may be an opportunity for the City to realize lower residential and commercial rates by outsourcing the Division's residential and commercial services to the private sector. American Refuse provided the City with an unsolicited proposal in 2020 to assume the City's existing residential and commercial services at a significantly lower rate than the City's current rate. American Refuse recently reported to R3 that a few things have changed since it issued that proposal but that it can still be very competitive.

Other benefits of outsourcing municipal operations include the ability to place many of the responsibilities for complying with SB 1383 on the contracted hauler. In addition, outsourcing removes any future pension liability the City might otherwise incur.

#### 4. Competitiveness of Regional Market Place

The regional solid waste hauler market is largely comprised of local and smaller regional haulers. Waste Management, Republic, Mid Valley Disposal and other larger haulers do not have operations in the immediate area, and as such may have no interest in pursuing a City solid waste collection franchise if one were offered. That leaves the smaller local and regional haulers operating in Kern County and southern Kings and Tulare County as the pool of haulers for a City franchise. However, with the City franchising its residential curbside recycling and commercial recycling and organics services to American Refuse, other haulers may be reluctant to respond to a request for proposals from the City to take over the Division's collection services if they believe American Refuse has a leg up if not an

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“in” with the City. As such, if the City were to conduct a competitive procurement for its municipal operations, interest may be limited.

## 5. City Costs that Would Not Go Away if Services Are Outsourced

If the City were to outsource the Division’s operations, at a minimum, it would need to receive fees (franchise fee and potentially other fees) from the contractor sufficient to cover the cost of the Division’s budgeted expenses that would not go away, as well as any new City specific SB 1383 compliance costs. To the extent those costs can be covered without having to increase rates, there would be a net financial benefit to the ratepayers.

City costs that would remain with outsourcing include, but are not necessarily limited to street sweeping, SB 1383 compliance, and any transfers out of the Enterprise Fund to the cover any proportional City management and overhead costs. In addition, the Division’s pension liability cost, which was \$1.4 million as of FYE 20-21, will still need to be funded. Should the City decide to pursue further review of the outsourcing option a more detailed analysis of those costs that would not go away with outsourcing should be conducted.

## 6. City of Shafter Outsourced Municipal Operations

The City of Shafter recently approved the award of a franchise to American Refuse to take over the City’s municipal residential solid waste services and discontinue City collections. Under that agreement American Refuse’s portion of the rate for a weekly three cart system is **\$23.09, \$5.03** less than the City’s current residential rate of **\$28.12** for a two cart system. Accounting for the City of Shafter’s **15%** franchise fee (\$4.07 per account per month) the overall rate of **\$27.16** per month is still almost **\$1.00** less than the City’s current rate. The City’s commercial rates vary in comparison to the American Refuse’s rates in the City of Shafter depending on the service level.

## 7. Displaced Employees

Any consideration of outsourcing needs to consider the impact on Division staff whose positions would be eliminated. If the City were to outsource the Division’s operations, we recommend it require the selected contract to offer employment to all qualified displaced City employees, provide medical and dental coverage and a matching 401K retirement program, maintain the former City employees’ seniority levels, and honor all existing prescheduled vacation time. The City of San Bernardino’s transition from municipal to private operations included an average contractor payment of \$6,900 to transitioning employees. The City of Hemet’s outsourcing process provided a \$1,000 retention bonus paid by the selected contractor to all displaced employees that met a minimum term of employment with the selected contractor.

## 8. Prison Contract

If the City decides to outsource its operations to the private sector the impact on its contract with the Wasco State Prison needs to be considered. Specifically whether or not that could be assigned to the private sector service provider, and what if any rate impact that would have given that the current rates may not be covering the associated costs, as discussed above.



## 7.2 Recommendations

### Consider Outsourcing the Division's Refuse Operations to the Private Sector

Explore the option of outsourcing the Division's operations to the private sector:

- a. **Request American Refuse Proposal** - As a first step, request an updated proposal from American Refuse to take over all of the City's solid waste collection services with proposed rates for all residential and commercial service levels. That proposal should also assume continued collection of the Prison for the remaining term of the current agreement at the contracted price for those services. Depending on its review of such a proposal, the City may wish to enter into sole source negotiations with American Refuse, assuming that is a legally viable option, or explore the potential for conducting a competitive procurement process. Alternatively, the City may decide to maintain municipal operations.
- b. **Determine City Costs that Would Remain with Outsourcing** - Conduct a more detailed review of the Division's budgeted solid waste costs that would not go away with outsourcing, and the franchise fee that would be needed to break even. Factor that cost into the financial assessment and rate impact of outsourced operations.
- c. **Revise Wasco State Prison Contract** - Review the City's contract with the Prison and determine what it can or can't do (e.g., assign to its franchised private hauler), and what if any impact that would have on outsourcing of services and associated rates.

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## Attachment 1

	B	C	D	E	G	H	I	N
3	Jurisdiction	County	Population	Hauler	Effective Date	Curbside Recycling	Green Waste	Monthly Rate
4								
5	Porterville	Tulare	59,655	Municipal	6/28/2005	Weekly	Weekly	\$ 17.85
6	Lindsay	Tulare	13,154	Mid-Valley	11/1/2019	Weekly	Weekly	\$ 20.26
7	Exeter	Tulare	11,030	Mid-Valley	1/1/2020	Weekly	Weekly	\$ 21.26
8	Farmersville	Tulare	11,399	Mid-Valley		Weekly	Weekly	\$ 22.63
9	Madera	Madera	65,415	Mid Valley	2013			\$ 23.22
10	Visalia	Tulare	138,649	Municipal		Weekly	Weekly	\$ 23.85
11	Woodlake	Tulare	7,773	Mid-Valley		Weekly	Weekly	\$ 24.45
12	Hanford	Kings	59,349	Municipal	7/1/2018	Weekly	Weekly	\$ 25.20
13	Tulare	Tulare	67,834	Municipal	7/1/2020	Bi-Weekly	Bi-Weekly	\$ 25.30
14	Bakersfield	Kern	392,756	Municipal	7/1/2016	Weekly	Weekly	\$ 25.49
15	Chowchilla	Madera	18,196	Mid Valley	7/1/2020	Weekly	Weekly	\$ 26.63
16	Sanger	Fresno	27,185	Mid Valley	2011-2012	Weekly	Weekly	\$ 27.57
17	Coalinga	Fresno	17,199	Mid Valley	7/1/2019	Weekly	Weekly	\$ 28.01
18	<b>Wasco</b>	<b>Kern</b>	<b>27,193</b>	<b>Municipal</b>	<b>1/1/2016</b>	<b>No</b>	<b>Weekly</b>	\$ 28.12
19	Shafter	Kern	19,447	Muni + AR		Bi-Weekly	Weekly	\$ 28.96
20	Dinuba	Tulare	25,994	Pena	7/1/2018	Weekly	Weekly	\$ 29.53
21	Selma	Fresno	24,436	WMI	1/1/2015	Weekly	Weekly	\$ 30.25
22	Fresno	Fresno	545,769	Municipal	1/1/2018	Weekly	Weekly	\$ 32.98
23	Clovis	Fresno	119,175	Allied	7/1/2020	Weekly	Weekly	\$ 37.42
24	Reedley	Fresno	25,917	Municipal	7/1/2020	Weekly	Weekly	\$ 37.89
25	Merced	Merced	88,120	Municipal	7/1/2020	Weekly	Weekly	\$ 44.49
26								
27								<b>Average</b> \$ <b>25.50</b>
28								<b>Wasco Rate</b> \$ <b>28.12</b>
29								<b>Wasco Rate</b> \$ <b>2.91</b>
30								<b>vs. Average</b> <b>10%</b>

	B	D	E	F	G	H	I	J	K	L	M
1	Scenario 1A - Weekly Recycling	\$ 1,054,847									
2											
3	CITY OF WASCO										
4	SOLID WASTE RATE MODEL	Rate Model Summary (RM 1)									
5											
6		1	2	3	4	5	6	7	8	9	10
7		FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
8	SUMMARY RESULTS	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
9	Revenue	\$ 3,381,235	\$ 4,685,853	\$ 4,910,207	\$ 5,145,522	\$ 5,392,338	\$ 5,651,222	\$ 5,922,770	\$ 6,099,628	\$ 6,281,792	\$ 6,469,420
10	Expenditures	\$ 3,966,954	\$ 5,207,803	\$ 5,364,037	\$ 5,524,958	\$ 5,690,707	\$ 5,861,428	\$ 6,037,271	\$ 6,218,389	\$ 6,404,941	\$ 6,597,089
11	Overall Surplus/(Shortfall)	\$ (585,719)	\$ (521,951)	\$ (453,831)	\$ (379,437)	\$ (298,370)	\$ (210,206)	\$ (114,502)	\$ (118,762)	\$ (123,149)	\$ (127,669)
12	as % of Total Expenditures	-14.8%	-10.0%	-8.5%	-6.9%	-5.2%	-3.6%	-1.9%	-1.9%	-1.9%	-1.9%
13	Rate Adjustment Required to Eliminate	17.3%	11.1%	9.2%	7.4%	5.5%	3.7%	1.9%	1.9%	2.0%	2.0%
14	Current Residential Rate	\$ 28.12									
15	Adjusted Residential Rate	\$ 33.74	\$ 37.12	\$ 38.97	\$ 40.92	\$ 42.97	\$ 45.12	\$ 47.37	\$ 48.79	\$ 50.26	\$ 51.77
16	Change in Rate (\$)	\$ 5.62	\$ 3.37	\$ 1.86	\$ 1.95	\$ 2.05	\$ 2.15	\$ 2.26	\$ 1.42	\$ 1.46	\$ 1.51
17	Change in Rate (%)	20%	10%	5%	5%	5%	5%	5%	3%	3%	3%
18	Current Commercial Rate 1 - Metal Bin 2XWK	\$ 225.68									
19	Adjusted Commercial Rate 1 - Metal Bin 2XWK	\$ 372.37	\$ 484.08	\$ 508.29	\$ 533.70	\$ 560.39	\$ 588.41	\$ 617.83	\$ 636.36	\$ 655.45	\$ 675.12
20	Change in Rate (\$)	\$ 146.69	\$ 111.71	\$ 24.20	\$ 25.41	\$ 26.69	\$ 28.02	\$ 29.42	\$ 18.53	\$ 19.09	\$ 19.66
21	Change in Rate (%)	65.0%	30.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%
22	Operating Reserve										
23	Beginning of FY (July 1)	\$ 3,381,918	\$ 2,796,199	\$ 2,274,249	\$ 1,820,418	\$ 1,440,981	\$ 1,142,612	\$ 932,405	\$ 817,904	\$ 699,142	\$ 575,993
24	End of FY (June 30)	\$ 2,796,199	\$ 2,274,249	\$ 1,820,418	\$ 1,440,981	\$ 1,142,612	\$ 932,405	\$ 817,904	\$ 699,142	\$ 575,993	\$ 448,324
25	% of Expenditures	70.5%	43.7%	33.9%	26.1%	20.1%	15.9%	13.5%	11.2%	9.0%	6.8%
26	Months of Expenditures	8.5	5.2	4.1	3.1	2.4	1.9	1.6	1.3	1.1	0.8
27	CIP Reserve Fund Balance FYE	\$ (31,852)	\$ 68,595	\$ 122,755	\$ 69,889	\$ (47,573)	\$ 105,414	\$ 13,911	\$ 209,654	\$ 2,741	\$ 203,292
28											
29	REVENUE AND EXPENSE ADJUSTMENTS										
30	RATE ADJUSTMENT TIMING INPUTS	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
31	Rate Adjustment Effective Date	March 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st
32	Note: All fiscal years begin July 1st, and the default rate adjustment date is July 1st. Any later rate adjustment date will result in decreased rate revenues for the projected fiscal year.										
33	RATE/REVENUE ADJUSTMENT INPUTS	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
34	Revenue Category										
35	American Refuse Residential Recycling Rate										
36	Enterprise Revenue - Residential Rate Revenue	20.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%
37	Enterprise Revenue - Commercial Rate Revenue	65.0%	30.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%
38	Prison - Rate Revenue	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
39	Reserve Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
40	Impact Fee	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
41	Grant	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
42	Highway Sweeping	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
43	Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
44	All Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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	B	D	E	F	G	H	I	J	K	L	M
1	Scenario 1B - Bi-Weekly Recycling	\$ 892,091									
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3	CITY OF WASCO										
4	SOLID WASTE RATE MODEL										
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**CELL DATA SOURCES**

User Input

Calculated Surplus

Calculated Value

Calculated Shortfall

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### Rate Model Summary (RM 1)

### SUMMARY RESULTS

	1	2	3	4	5	6	7	8	9	10
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Revenue	\$ 3,353,001	\$ 4,515,986	\$ 4,731,847	\$ 4,958,244	\$ 5,195,696	\$ 5,444,748	\$ 5,705,972	\$ 5,876,327	\$ 6,051,791	\$ 6,232,520
Expenditures	\$ 3,966,954	\$ 5,045,047	\$ 5,196,399	\$ 5,352,291	\$ 5,512,859	\$ 5,678,245	\$ 5,848,592	\$ 6,024,050	\$ 6,204,772	\$ 6,390,915
Overall Surplus/(Shortfall)	\$ (613,953)	\$ (529,061)	\$ (464,552)	\$ (394,047)	\$ (317,163)	\$ (233,497)	\$ (142,620)	\$ (147,724)	\$ (152,980)	\$ (158,395)
as % of Total Expenditures	-15.5%	-10.5%	-8.9%	-7.4%	-5.8%	-4.1%	-2.4%	-2.5%	-2.5%	-2.5%
Rate Adjustment Required to Eliminate	18.3%	11.7%	9.8%	7.9%	6.1%	4.3%	2.5%	2.5%	2.5%	2.5%
Current Residential Rate	\$ 28.12									
Adjusted Residential Rate	\$ 32.34	\$ 35.57	\$ 37.35	\$ 39.22	\$ 41.18	\$ 43.24	\$ 45.40	\$ 46.76	\$ 48.16	\$ 49.61
Change in Rate (\$)	\$ 4.22	\$ 3.23	\$ 1.78	\$ 1.87	\$ 1.96	\$ 2.06	\$ 2.16	\$ 1.36	\$ 1.40	\$ 1.44
Change in Rate (%)	15%	10%	5%	5%	5%	5%	5%	3%	3%	3%
Current Commercial Rate 1 - Metal Bin 2XWK	\$ 225.68									
Adjusted Commercial Rate 1 - Metal Bin 2XWK	\$ 372.37	\$ 465.47	\$ 488.74	\$ 513.18	\$ 538.83	\$ 565.78	\$ 594.06	\$ 611.89	\$ 630.24	\$ 649.15
Change in Rate (\$)	\$ 146.69	\$ 93.09	\$ 23.27	\$ 24.44	\$ 25.66	\$ 26.94	\$ 28.29	\$ 17.82	\$ 18.36	\$ 18.91
Change in Rate (%)	65.0%	25.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%

Operating Reserve										
Beginning of FY (July 1)	\$ 3,381,918	\$ 2,767,965	\$ 2,238,904	\$ 1,774,352	\$ 1,380,305	\$ 1,063,142	\$ 829,646	\$ 687,026	\$ 539,302	\$ 386,322
End of FY (June 30)	\$ 2,767,965	\$ 2,238,904	\$ 1,774,352	\$ 1,380,305	\$ 1,063,142	\$ 829,646	\$ 687,026	\$ 539,302	\$ 386,322	\$ 227,927
% of Expenditures	69.8%	44.4%	34.1%	25.8%	19.3%	14.6%	11.7%	9.0%	6.2%	3.6%
Months of Expenditures	8.4	5.3	4.1	3.1	2.3	1.8	1.4	1.1	0.7	0.4

CIP Reserve Fund Balance FYE	\$ (31,852)	\$ 68,595	\$ 122,755	\$ 69,889	\$ (47,573)	\$ 105,414	\$ 13,911	\$ 209,654	\$ 2,741	\$ 203,292
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### REVENUE AND EXPENSE ADJUSTMENTS

	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
RATE ADJUSTMENT TIMING INPUTS										
Rate Adjustment Effective Date	March 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st	July 1st
<b>Note:</b> All fiscal years begin July 1st, and the default rate adjustment date is July 1st. Any later rate adjustment date will result in decreased rate revenues for the projected fiscal year.										
RATE/REVENUE ADJUSTMENT INPUTS										
Revenue Category										
American Refuse Residential Recycling Rate										
Enterprise Revenue - Residential Rate Revenue	15.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%
Enterprise Revenue - Commercial Rate Revenue	65.0%	25.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%
Prison - Rate Revenue	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Reserve Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impact Fee	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Highway Sweeping	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	B	D	E	F	G	H	I	J	K	L	M
1	Scenario 2A - Weekly Recycling	\$ 1,054,847									
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3	CITY OF WASCO										
4	SOLID WASTE RATE MODEL										
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	B	D	E	F	G	H	I	J	K	L	M
1	Scenario 2B - Bi-Weekly Recycling	\$ 892,091									
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3	CITY OF WASCO										
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