



CONSULTING GROUP, INC.

RESOURCES · RESPECT · RESPONSIBILITY

FINAL DRAFT REPORT

10-Year Financial Plan and 5-Year Rate Study



SUBMITTED TO:

City of Folsom

October 18, 2019

Report Submitted Digitally as PDF



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October 18, 2019

Marie McKeeth
Public Works Department
City of Folsom
50 Natoma Street
Folsom, California 95630

Subject: 10-Year Financial Plan and 5-Year Rate Study

Dear Ms. McKeeth:

R3 Consulting Group, Inc. (R3) is pleased to submit the attached final draft report for Task 2: 10-Year Financial Plan and 5-Year Rate Study. This report details our methodology, analysis, and recommendations for maintaining the financial health of the City's Solid Waste Funds and continuing to offer quality refuse and materials recovery services to its residents and commercial business owners.

Highlights of the report include the following: increase in rates for all three lines of business to achieve a targeted Solid Waste Operations Reserve Fund balance of 25% by FY 24/25, while correcting expense deficits created by the cost of providing services. Additionally, adjustments have been made to reflect the unprecedented crash of the recycling market, City staffing, collection vehicles, and preparations to eventually move to the new city corporate yard within the next 5 – 10 years. R3 also recommends the creation of an additional fund (Fund 545) specifically designated for Vehicle Replacement. Lastly, commercial and roll off rates were adjusted to reflect a new rate structure oriented around the cost(s) of operating services.

Of the six scenarios reviewed by the City during the course of this project, a hybrid of Scenario 4 was ultimately recommended for City Council consideration. The details of recommended Scenario 4 are included as Attachment 1 to this report.

* * * * *

We appreciate the opportunity to submit our final report to the City of Folsom. Should you have any questions regarding our proposal or need any additional information please contact me by phone at (916) 782-7821 or by email at rcalkins@r3cgi.com.

Sincerely,

R3 CONSULTING GROUP



Ryan Calkins | Project Manager

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Introduction

The City of Folsom (City) Public Works Department contracted with R3 Consulting Group, Inc. (R3) to conduct a Performance Analysis and Operations Study to determine areas of opportunity for efficiency gains through improved performance and routing optimization. The underlying purpose of the Performance Analysis and Operations Study was to determine the current operational standing of the Solid Waste Division in order to develop a Rate Model for the City's ongoing use for projecting revenues and expenses of the operation over a 10-year period that clearly shows operating reserve balances and annual revenue surpluses/shortfalls. The Rate Model enables the City to determine the cost of service of the City's collection operation, and individual lines of business within the operation (e.g., residential and commercial solid waste and recycling services). The Rate Model is a tool to analyze various rate adjustment scenarios for the City to develop specific rate adjustment recommendations.

The City provides solid waste collection, green waste collection, recycling collection, and Household Hazardous Waste (HHW) collection. Street sweeping services are also partially funded through solid waste rates. The City operates on a July 1st through June 30th fiscal year (FY).

The City has a population of approximately 78,000 (2017) and the City provides service to all residential, multi-family, and commercial accounts, while a portion of Roll-Off accounts are open-market. The City's operating budget for fiscal year (FY) 2019 (July 1, 2018 - June 31, 2019) was approximately \$10.5 million. Residential rates have not increased since 2003, though there was rate reduction in 2004, which is the most recent rate adjustment. Commercial rates have remained unchanged since 2003.

Project Objectives

1. To develop an Excel-based Rate Model that the City can use to project revenues and expenses, and evaluate current and future rate adjustment options, including cost of service rate options, over an extended period;
2. To calculate the cost of service of various City collection services to allow the City to establish cost of service rates for individual services, should it wish to do so now, or at some point in the future; and
3. To present rate adjustment options (scenarios) over a 10-year planning period, and recommended rate adjustments.

Rate Model Overview

R3 utilized the results of the Performance Analysis and Operations Study, the City's line item budget information, and the operating reserve balances and other information to construct an Excel-based Rate Model that projects revenues and expenses over a 10-year planning period (through FY 2028) and have provided for the evaluation of rate adjustments, including cost of service rate adjustments for various City Solid Waste operations and services.

The City currently has four operating funds within their Solid Waste Division. The operating funds and their respective balances as of July 1, 2018 are shown below:

- Solid Waste Operating Fund: 540 - \$5,043,399
 - The main operating fund for the Solid Waste Division, which also includes capital expenses, such as the purchase of trucks and containers.
- Solid Waste Capital Fund: 541 - \$239,836
 - The Solid Waste Capital Fund was established to manage container inventory and procurement for new development.
- Landfill Closure Enterprise Fund: 543 - \$0.00
 - The Solid Waste Fund is required to pay to the Landfill Closure Enterprise Fund for ground water monitoring costs provided by a third-party agency.
- Solid Waste Plan Area Capital Fund: 544 - \$8,550
 - The Solid Waste Plan Area Capital Fund is reserved for capital purchases.
- *Vehicle Replacement Fund: 545*
 - *R3 recommends the addition of Fund 545 to track the transfer in/out of revenues and expenses for the sole purpose of future vehicle replacement.*

Solid Waste Division

The Solid Waste Division provides its customers with solid waste collection, recycling and green waste collection for residential, commercial, and Roll-Off lines of business. The City does not currently provide collection for food waste, however, food waste recycling for residential customers will be mandated during this rate cycle analysis. Residential collection for solid waste occurs on a weekly basis, while recycling and green waste collection occurs on alternating weeks. Door to door HHW collection is provided for residential and commercial customers. Bulky collection services are provided for residential customers.

Commercial collection is dependent on the frequency of the customer's subscribed service level. Commercial services are currently offered seven days a week.

Roll-Off collection is currently an open market program. The City provides Roll-Off services Monday through Friday for both permanent and temporary customers. Roll-Off vehicles are also utilized to support residential programs such as community recycling and bulky waste pickups.

Anticipated City Expansion

The City is currently planning for expansion south of Highway 50 with the anticipated addition of roughly 350-400 single family homes per year. It is also expected that commercial buildings will be constructed, however per the City, the estimated numbers are difficult to forecast at this time. Additionally, the City is planning to relocate to the new City Corp Yard within the next five to ten years. As such, financial impacts to the budget from the City's anticipated expenses during this time period are included in the projections of the Rate Model as a placeholder pending future City discussions, at which point more accurate figures will be determined.

Factors Causing the Increase in Anticipated Expenses

The following factors are the primary causes of anticipated growth in expenses:

- Outcomes from the site Performance Analysis;
- Additional staff and collection vehicles;
- Vehicle replacement schedule;
- New technology for route optimization;
- High increases in PERS benefits between FY 19/20 and FY 22/23;
- Impacts from current legislation; and
- Impacts from an unprecedented crash of the recycling market.

New State Legislation that Could Impact Future Planning

The following section provides a summary of recently passed state legislation relevant to the collection of solid waste, recyclable materials, and organic materials. These laws should be considered in the planning process of future operational changes and/or collection programs.

AB 341 – Mandatory Commercial Recycling

In 2012, AB 341 established California's first statewide diversion goal requiring CalRecycle to develop a report to the legislature that identifies strategies that will assist in achieving the 75 percent recycling goal. This state mandate established mandatory commercial and multi-family recycling regulations for all businesses and public entities that generate more than four cubic yards of solid waste per week, and multi-family dwellings of five or more units are required to either:

- Source separate recyclable materials from solid waste, or
- Subscribe to a recycling service that includes mixed waste processing yielding diversion results comparable to source separation.

Requirements placed on jurisdictions include offering a commercial recycling program with customer education and outreach, and regular compliance monitoring. CalRecycle also requires an annual report from each jurisdiction or its reporting agency, including details on the commercial recycling program implementation, education, and monitoring activities.

AB 1826 – Mandatory Commercial Organics Recycling

Signed in 2014, AB 1826 requires commercial businesses and multi-family properties to implement organics recycling programs for the diversion of organic waste from landfills.

Under AB 1826, local jurisdictions are required to implement an organics recycling program appropriate for that jurisdiction, designed specifically to divert commercial organic waste. AB 1826 implementation includes the following four local jurisdiction requirements:

- Identify Covered Generators Component: Identify commercial businesses and multi-family properties (collectively, “covered generators”) that must comply with the regulations of AB 1826;
- Organics Recycling Service Component: Ensure that organics recycling services are available to all covered generators;
- Education and Outreach Component: Conduct education and outreach to covered generators about the State law and how to comply; and
- Compliance Monitoring Component: Identify covered generators that are not in compliance and inform them of their requirements and how they can comply.

SB 1383 – Short-Lived Climate Pollutants (SLCP)

The Department of Resources Recycling and Recovery (CalRecycle) officially noticed proposed regulations to implement the organic waste landfill requirements of Senate Bill 1383 (Lara, Chapter 395, Statutes of 2016). During the process of decomposition of organic materials, the chemical methane is released into the atmosphere. Methane has been identified as one of the harmful Green House Gases (GHG), and methane from organic decomposition currently accounts for 21% of all methane emissions from the State of California annually.

SB 1383 directed CalRecycle to adopt the following regulation requirements to reduce organic waste from its 2014 baseline level:

- 50 percent organic waste reduction by 2020; and
- 75 percent organic waste reduction by 2025.
 - Additionally, there is a 2025 requirement to increase the recovery of edible food that is currently being landfilled by 20%.

The regulations will impose significant administrative requirements on local agencies to implement programs requiring organic waste generators (those who initially create organic waste) to comply with CalRecycle regulations. Local agencies that do not comply with the regulations may face hefty penalties or enforcement action imposed by CalRecycle. While the proposed regulations would not take effect until January 1, 2022, cities, counties, or special districts providing solid waste handling services will want to review the proposed regulations in order to plan and prepare accordingly.

Current Solid Waste Operating Fund Financial Condition

The City’s Solid Waste Operating Fund is in a strong financial condition, with a positive cash flow of nearly \$5M in FY 2019. The City currently has an operating expense percentage of 36%, which is above the 25% targeted operating expense percentage. However, it should be noted that though the current standing of the Solid Waste Operating Fund has a surplus, with the crash of the recycling market, and the impacts associated with existing legislation, the Solid

Waste Operating Fund balance is projected to be in a deficit by 2021. This deficit will continue to grow if no adjustments to the collection service rates are made.

Revenue is primarily raised through service rates that are charged to residential, commercial, and roll off customers. The City also increases revenue through transfers from other funds, fees, and from the sale of recyclable materials. The sale of recyclable materials over the past five years generated an average net revenue of \$669,763 per year, but due to current market conditions, the sale of recyclable materials is no longer a viable revenue source. In fact, in FY 2019/2020, the City budgeted a net expense of \$670,000 for the sale of residential recyclable materials. Additionally, each of the years following (2019-2028) there is an anticipated deficit in recyclable material revenues as the cost of processing materials exceeds the potential returns. The decrease in revenues is compounded by the increase in the expended costs of collecting the material, which only makes matters worse.

Solid Waste Operating Expenses

The City's Solid Waste Operating Expenses have grown and will continue to grow. The largest increase can be attributed to the collapse of the recycling market. Additionally, an increase in staffing is needed to meet existing legislative mandates and the spike in PERS benefits which will increase by 13.5%, 16.9%, and 10.7% over the next three years, respectively, as seen in the Table 1 on the following page.

The City intends to increase the efficiency and effectiveness of their solid waste collections programs by investing in technology that will enhance routing, reduce wasted time, and allow for real time customer service efforts. The Division currently owns a software license for RouteSmart, and instituted additional training for staff to effectively achieve and maintain the benefits of utilizing such a program. Additionally, onboard computing units will be considered to further enhance the quality of services provided to City residents.

An anticipated move to a new corporation yard within the next ten years was also considered in the development of the 10-year financial plan; however, funding to contribute to the preliminary environmental review and engineering are included within the 5-year rates, although the figures included in the rate analysis provide for future preliminary funding to begin the process.

Section 2

10-Year
Financial
Plan

**Table 1
Escalation Factors**

	Provided in HDR's Water/Sewage Report*					Average from Previous 5 Years					
Revenues	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential Growth	1.5%	1.5%	1.5%	1.0%	1.0%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Nonresidential Growth	1.5%	1.5%	1.5%	1.0%	1.0%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Revenues	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Expenses	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Labor	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
PERS	13.5%	16.9%	10.7%	7.4%	6.1%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
Benefits – Medical	3.0%	3.0%	6.0%	6.0%	6.0%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Benefits – Others	3.0%	3.0%	4.0%	4.0%	4.0%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Materials & Supplies	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Equipment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Miscellaneous	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Utilities	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Electricity (SMUD)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
San Juan Purchases	9.0%	9.0%	5.0%	5.0%	5.0%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Chemical	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Interest	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Expenses	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Vehicle Escalation*	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

* Provided in Exhibit 2 of HDR's Water/Sewer Report, at the direction of the City.

**Provided by the City.

10-Year Financial Plan

Background

During the development of the 10-Year Financial Plan, R3 met with City staff to produce a plan designed to meet the Solid Waste Division’s operational needs and accurately project the Division’s current financial situation. The plan was developed utilizing historical and budgeted financial information provided by the City of Folsom Solid Waste Division.

The Rate Model projects revenues and expenses by line item for the Division, reflecting the fund accounts 540 (Solid Waste Operating Fund), 541 (Solid Waste Capital Fund), 543 (Landfill Closure Enterprise Fund), and 544 (Solid Waste Plan Area Capital Fund) referenced on page 4 of this report. The Rate Model also provides for projecting changes based on anticipated growth in the number of residential and commercial accounts over the next five to ten years as the City continues to grow.

Methodology

The Rate Model was built using source data provided by the City. One of R3’s main objectives was to incorporate the City’s future goals for the Solid Waste Division as well. R3 constructed the plan through the following steps:

- Performance Analysis and Operations Study;
- Aligned five years of historical budget data by year, fund, account line item, and totals and subtotals;
- Added the current FY 18/19 operating budget totals to estimate the beginning FY 19/20 beginning fund balance(s);
- Adjusted the FY 19/20 operating budget to account for City needs, such as:
 - Soft Cost estimates for new corporation yard;
 - Additional staffing and vehicles; and
 - Training & software for improved operational efficiency (RouteSmart, etc.).
- Decreased residential recycling revenue projection due to the increased cost of processing recyclable materials exceeding the revenue gained from recycling those materials, resulting in an annual net expense;
- Implemented escalation factors using the figures provided via HDR Engineering, Inc.’s (HDR) report on Water and Sewer Study, per the City’s request, in order to provide consistency with all of the Enterprise Funds;
 - Line items in the rate model were color coded to match the color coding in the “Escalation Factors” tab of the “Folsom 10-Year Plan and Rates” Excel workbook, in order to reflect the percentage increase(s) by line item.
- Created a 25% operating reserve target for Scenarios 1, 3, and 5, while achieving full cost of service by FY 19/20 (Year 1), FY 23/24 (Year Five), and FY 28/29 (Year 10), respectively. Scenarios 2, 4, and 6 maintain above a 5% operating reserve target while achieving full cost of service by FY 19/20 (Year 1), FY 23/24 (Year Five), and FY 28/29 (Year 10), respectively;

- Created Fund 545 (Vehicle Replacement Fund) to allow for transfer in/out of revenues and expenses for vehicle replacement needs; and
- Assessed and determined rate increases over a 10-year period necessary to cover projected expenses while maintaining a 5 or 25% annual operating reserve Fund 540 balance through the first 5 (five) years and a minimum of 25% annual operating reserve for the remaining years.

Revenue and Expense Projections

Budgeted expenses were, at the request of the City, escalated utilizing the same factors as in the Comprehensive Water and Sewer Rate Study conducted by HDR for the City of Folsom. The City has acquired training services from RouteSmart in order to assist in rerouting the collection routes and training staff. The purpose of the official training is to reduce the ongoing costs associated with contracting services by ensuring that staff can perform the functions in-house. Proficiently trained staff can efficiently and effectively adjust routing as population grows and adjustments are required. Additionally, the City is pursuing other route optimization technology to further enhance the effectiveness and efficiency of services provided to its customers.

Another adjustment to expenses in FY 2019 is reflected in line item “5011001 – Permanent Staffing Salary” of Fund 540 Solid Waste Collections, where there is an anticipated growth in staffing.

Revenues were not escalated with the exception of residential Recycling Revenues, that were manually adjusted to reflect the City’s estimate and restructuring of the way recycling revenues are accounted for.

- Beginning FY 2020 the City will include revenues and expenses for residential recycling estimates to more accurately account for and project the net annual revenue/expense. Previously, the City accounted for both, but they were only listed under the revenue line items in Fund 540.

5-Year Rate Plan

The 5-Year Rate Plan is based on the 10-Year Financial Plan. The City currently carries a projected Solid Waste Operating Fund surplus of roughly \$5 million. If no action is taken, the City will experience a shortfall of \$3 million by 2021 due to the decrease of revenue from recycling, regulatory compliance, an increase in staff costs, vehicle replacement, etc. Additionally, the annual deficit will continue to rise, assuming no rate increases for services are applied.

Rate increases are vital for the City for four primary reasons:

- To account for the loss of net revenue due to the collapse of the recycling market;
- The need for replacement vehicles;
- To account for the pending staffing and vehicle growth due to regulatory mandates; and
- Aid in capital expense preparation in anticipation of relocation to a new Public Works corporation yard.

R3 conducted a Cost of Service (COS) analysis and determined the following summary statuses for each line of business when assessing revenues against expenses. That analysis identified a shortfall in residential and some commercial revenues compared to expenses for those portions of the City’s solid waste operations, and a surplus in other commercial revenues. The 5 Year Rate Study corrects for the shortfalls and surplus by aligning revenues with the costs for each line of business. Year 1 of the Rate Plan reflects the current City rate for each type of service by line of business.

The remaining forecasted years depict changes in rate structure, based on City direction. Adjustments to the rate structure were as follows:

- Residential → Unchanged
- Commercial → Adjustments were made to reflect cost of service, and “right sizing” of containers per request of the City
- Roll-Off → Current rate structure was replaced with a standard hauling charge across all containers (applied the average cost of all revenue gaining hauls from 2018 to determine a flat hauling charge) and a tipping fee applied at cost

Rate Adjustment Scenarios

For purposes of modeling various rate adjustment scenarios R3 has assumed a target Solid Waste Operating Fund annual balance of 25% or 5% of annual expenses, commonly referred to as an Operating Reserve¹, for each of the years in which full cost of service is achieved; FY 19/20 (Year 1), FY 23/24 (Year 5), and FY 28/29 (Year 10). The City’s Solid Waste Operating

¹ A common target balance for operating reserves is 60 to 90 days of operating expenses, or 17%-25% of operating expenses.

Section 3

5-Year Rate Plan

Reserve balance is currently 36% of the City’s annual Solid Waste Operating budget, while 25% is a typical high-end target percentage.

Scenario 1 Full Cost of Service Adjustments in Year One Followed by Standard Annual Rate Increases

- Increase rates in Year One (FY 19/20) to achieve Cost of Service by line of business:
 - Residential – 70.0%
 - Commercial – Varies due to adjustment in Commercial Rate Structure
 - Roll-Off – Varies due to adjustment in Roll-Off Rate Structure
- Each year after (FY 20/21 through FY 28/29) will be increased annually between 2% and 3.5% for all lines of business.

Table 2

Scenario 1 – 10-Year Plan Rate Adjustments										
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Residential	70.0%	3.5%	3.5%	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commercial	Varies	3.5%	3.5%	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Roll-Off	Varies	3.5%	3.5%	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Results:

- FY 28/29 Solid Waste Operating Fund Balance of \$9.5M; and
- Scenario 1 was created to maintain a minimum 25% annual operating reserves goal in the Solid Waste Operating Fund consistently each year throughout the 10-year time period of this model.

Scenario 2 Full Cost of Service Adjustments in Year One Followed by Standard Annual Rate Increases

- Increase rates in Year One (FY 19/20) to achieve Cost of Service by line of business:
 - Residential – 70.0%
 - Commercial – Varies due to adjustment in Commercial Rate Structure
 - Roll-Off – Varies due to adjustment in Roll-Off Rate Structure
- Each year after (FY 20/21 through FY 28/29) will be increased annually between 0% and 18% for all lines of business.

Table 3

Scenario 2 – 10-Year Plan Rate Adjustments										
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Residential	70.0%	0.0%	0.0%	0.0%	0.0%	11.0%	2.0%	3.0%	18.0%	0.0%
Commercial	Varies	0.0%	0.0%	0.0%	0.0%	11.0%	2.0%	3.0%	18.0%	0.0%
Roll-Off	Varies	0.0%	0.0%	0.0%	0.0%	11.0%	2.0%	3.0%	18.0%	0.0%

Results:

- FY 28/29 Solid Waste Operating Fund Balance of \$4.7M; and
- Scenario 2 was created to maintain a minimum 5% annual operating reserves goal in the Solid Waste Operating Fund consistently each year throughout the 10-year time period of this model.

Scenario 3 Full Cost of Service Adjustments by Year Five Followed by Standard Annual Rate Increases

- Increase rates annually over the 10-year period to achieve full Cost of Service by Year Five (FY 23/24).
 - Residential – rates will increase significantly during the first four years and have a standard increase in year five, but will not increase again during the duration of the 10-Year Plan
 - Commercial – Varies due to adjustment in Commercial Rate Structure; will face a variable Year One increase, but will not increase again during the duration of the 10-Year Plan
 - Roll-Off – Varies due to adjustment in Roll-Off Rate Structure; will face a minimum 60% Year One increase, and standard rate increases in Year(s) 2-5, but will not increase again during the duration of the 10-Year Plan
- Each year after (FY 24/25 through FY 28/29) will not require an annual increase for any of the three lines of business.

Table 4

Scenario 3 – 10-Year Plan Rate Adjustments										
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Residential	50.0%	10.0%	10.0%	10.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial	Varies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Roll-Off	Varies	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%

Results:

- FY 28/29 Solid Waste Operating Fund Balance of \$11.3M; and
- Scenario 3 was created to maintain a minimum 25% annual operating reserves goal in the Solid Waste Operating Fund consistently each year throughout the 10-year time period of this model.

Scenario 4 Full Cost of Service Adjustments by Year Five Followed by Standard Annual Rate Increases

- Increase rates annually over the 10-year period to achieve full Cost of Service by Year Five (FY 23/24).
 - Residential – rates will increase annually by 15% during the first five years followed by standard increases in Year(s) 6-7, but will not increase again during the duration of the 10-Year Plan

Section 3

5-Year Rate Plan

- Commercial – Varies due to adjustment in Commercial Rate Structure; will face a minimum 5% Year One increase, and standard rate increases during Year(s) 2-7, but will not increase again during the duration of the 10-Year Plan
- Roll-Off – Varies due to adjustment in Roll-Off Rate Structure; will face a minimum 33% Year One increase, and standard rate increases in Year(s) 2-5, but will not increase again during the duration of the 10-Year Plan
- Each year after (FY 26/27 through FY 28/29) will not require an annual increase for any of the three lines of business.

Table 5

Scenario 4 – 10-Year Plan Rate Adjustments										
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Residential	15.0%	15.0%	15.0%	15.0%	15.0%	3.0%	1.0%	0.0%	0.0%	0.0%
Commercial	Varies	5.0%	5.0%	5.0%	3.0%	3.0%	1.0%	0.0%	0.0%	0.0%
Roll-Off	Varies	8.0%	8.0%	8.0%	6.0%	3.0%	1.0%	0.0%	0.0%	0.0%

Results:

- FY 28/29 Solid Waste Operating Fund Balance of roughly \$6.5M; and
- Scenario 4 was created to maintain a minimum 5% annual operating reserves goal in the Solid Waste Operating Fund consistently each year throughout the 10-year time period of this model.

Scenario 5 Full Cost of Service Adjustments by Year Ten Followed by Standard Annual Rate Increases

- Increase rates annually over the 10-year period to achieve full Cost of Service by Year Ten (FY 28/29).
 - Residential – rates will increase significantly during Year One and then experience 15% increases in Year 4 and Year 10. Standard rate increase will take place in Year(s) 2-3. In Year(s) 5-9, there will be no rate increase
 - Commercial – Varies due to adjustment in Commercial Rate Structure; will face a variable Year One increase. In Year(s) 2-3 there will be standard rate increases before jumping to 15% in Year 4. Each year following (FY 23/24 – FY 28/29) there is an anticipated rate reduction of 2% per year during the duration of the 10-Year Plan
 - Roll-Off – Varies due to adjustment in Roll-Off Rate Structure; will face a minimum 60% Year One increase, and 15% rate increases in Year(s) 2-3. Year Four contains a standard rate increase, but each year following (FY 23/24 – FY 28/29) there is an anticipated rate reduction of 2% per year during the duration of the 10-Year Plan
- Each year after (FY 23/24 through FY 28/29), with the exception of Residential in Year 10, will either not require an annual increase or experience a rate reduction.

Table 6

Scenario 5 – 10-Year Plan Rate Adjustments										
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Residential	50.0%	5.0%	5.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%
Commercial	Varies	5.0%	5.0%	15.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Roll-Off	Varies	5.0%	5.0%	15.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%

Results:

- FY 28/29 Solid Waste Operating Fund Balance of \$9.8M; and
- Scenario 5 was created to maintain a minimum 25% annual operating reserves goal in the Solid Waste Operating Fund consistently each year throughout the 10-year time period of this model.

Scenario 6 Full Cost of Service Adjustments by Year Ten Followed by Standard Annual Rate Increases

- Increase rates annually over the 10-year period to achieve full Cost of Service by Year Ten (FY 28/29).
 - Residential – rates will increase by 15% in each year for the first three years, followed by a Year Four increase of 10%. There will not be a rate adjustment between Year(s) 5-8, but Year(s) 9-10 will each experience a 25% rate increase
 - Commercial – Varies due to adjustment in Commercial Rate Structure; will face a variable Year One increase. In Year(s) 2-3 there will be 15% rate increases followed by a standard rate increase in Year 4. Each year following (FY 23/24 – FY 28/29) there will not be another rate increase during the duration of the 10-Year Plan
 - Roll-Off – Varies due to adjustment in Roll-Off Rate Structure; will face a minimum 60% Year One increase, and 15% rate increases in Year(s) 2-3. Year Four contains a standard rate increase, but each year following (FY 23/24 – FY 28/29) there not be another rate increase during the duration of the 10-Year Plan
- Each year after (FY 23/24 through FY 28/29), with the exception of Residential in Year(s) 9-10, will not require an annual increase.

Table 7

Scenario 6 – 10-Year Plan Rate Adjustments										
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Residential	15.0%	15.0%	15.0%	10.0%	0.0%	0.0%	0.0%	0.0%	25.0%	25.0%
Commercial	Varies	15.0%	15.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Roll-Off	Varies	15.0%	15.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Results:

- FY 28/29 Solid Waste Operating Fund Balance of \$4.9M; and

Section 3

5-Year Rate Plan

- Scenario 6 was created to maintain a minimum 5% annual operating reserves goal in the Solid Waste Operating Fund consistently each year throughout the 10-year time period of this model.

Comparison of Ending Fund Balances for Scenarios

Table 8 below depicts the ending Operating Reserve percentage by year, for each of the scenarios listed above. Scenarios 1, 3, and 5 maintain an Operating Reserve at the targeted 25% goal. Scenarios 2 and 4 however, do not achieve the 25% targeted goal until Year 10 (ten) of the Financial Plan. Table 8 is a fluid table of outcomes that will change depending on inputs entered into the Rate Model. Note that the recommended Scenario 4 dips below 25% in the final year, which is not of concern due to the fact that the City will need to adopt new rates starting in year six.

Table 8

Ending Operating Reserve percentage, by year, for each Scenario										
Scenario	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
1	47%	36%	52%	33%	47%	50%	57%	54%	45%	34%
2	47%	33%	42%	17%	16%	17%	21%	17%	22%	21%
3	43%	32%	51%	37%	56%	62%	71%	66%	54%	39%
4	28%	8%	13%	9%	15%	25%	37%	38%	30%	19%
5	42%	29%	42%	33%	53%	58%	66%	60%	47%	37%
6	26%	9%	21%	11%	22%	25%	30%	24%	23%	32%