Solid Waste Fund 10-Year Financial Plan and 5-Year Rate Study

PRESENTATION TO:
City of Davis, City Council

October 30, 2018
Solid Waste Fund Overview

- Enterprise Fund for City Solid Waste and Recycling Services
  - Solid Waste and Recycling Services provided by Recology Davis (Includes Street Sweeping) (86%)
  - City Billing, Administration and Implementation of State Regulations (12%)
  - Debt Coverage (2%)

- Solid Waste Service Charges are Main Source of Funding (99%)
Solid Waste Fund Overview

- Solid Waste Fund has operated at a deficit for last 5 Fiscal Years
- Increasing costs with waste hauling contract and City Administration
- $3M Loan from Wastewater payable over next 10 years
- No Fund Reserves remaining / Continuing negative Fund Balance
- Need to increase Solid Waste Service Charges to fund Solid Waste Utility
Costs Included in Model

- Davis Waste Removal/Recology Contract Costs
  - Annual increases of 3% January and 0.5% July
  - Does not account for possible detailed rate review

- Solid waste programs and overhead
  - Annual increases of 3.8% for wages and benefits, 3% for all other expenses

- City administration
  - Annual increases 3.8% for wages and benefits, 3% for all other expenses

- Street sweeping
  - Annual increases of 3%
Costs Included in Model

- **Environmental Mitigation Assessment**
  - Increase of $212,000/year per R3 recommendation

- **Bike Path Sweeping**
  - Estimated at $140,000/year

- **Closed Landfill Mitigation Funding**
  - $150,000/year

- **Artists in Residency**
  - $30,000/year

- **Interfund loan repayment**
  - $3,000,000 loan payable over 10 years
Reserve Target of 15%

- Ending fund balance of 15% of annual operating expenses by end of 10 year planning horizon
  - Potential increases to Recology’s compensation
  - Potential increases in diversion program expenses (SB 1383)
  - Disposal expenses from natural disasters
  - Decreased revenues from migration or economic recession

- Minimal Fund Balance in next 5 years
Annual Service Charge Adjustment

Parameters of Recommended Service Charge Adjustments

- Smooth out adjustments while spreading initial rate increase over 3 years
- Keep positive balance in fund
- Gradually increase fund balance to meet reserve target

<table>
<thead>
<tr>
<th>Recommended Service Charge Adjustments</th>
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<tr>
<td>13.5%</td>
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Recommended Service Charges

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<thead>
<tr>
<th>Garbage Container Subscription Level</th>
<th>Current Rates</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tr>
<td><strong>Current Service Offering Service Charge Increase</strong></td>
<td>-</td>
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<td>8.0%</td>
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<td>35-Gallon Residential</td>
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