

*The questions included below are collected from meetings and email correspondence. Staff has made every effort to capture all of the questions received. Staff has not included questions or clarifications related to data errors or necessary corrections, as these items are addressed promptly and corrections have been provided to the Commission when completed.*

### **July 18, 2018 - Utility Rate Advisory Commission Meeting**

**Item 6C - Review of Solid Waste Rate Study Model and Updates.** (Richard Tsai, Environmental Resources Manager). Staff Recommendation: Informational. (75 min)

#### **Commission Questions:**

Q J1: Is there something about the canopy of the city of Davis that makes a LITS service uniquely necessary?

*A J1: R3 included a review of surrounding jurisdictions and the per capita greenwaste tonnage in the July meeting. There are jurisdictions with greater greenwaste tonnage that have full containerization.*

Q J2: Provide historical data on revenue loss to cart migration

*A J2: This data was included by R3 as a separate chart and description on page 3 of the Letter Report on the 10-Year Financial Plan and 5-Year Rate Summary included in the September 19 meeting*

Q J3: Provide a few more years of historical revenue and expenditure data to show patterns and historical trends

*A J3: This data was included by R3 beginning on page 2 of the Letter Report on the 10-Year Financial Plan and 5-Year Rate Summary included in the September 19 meeting*

Q J4: Review budgeted versus actual costs in the Solid Waste Diversion Program budget and explain jump in budget and expenditures from FY 16/17 (\$706,634 - Actual Expenditures) to FY 17/18 (\$1,074,142 - Actual Expenditures)

*A J4: This item is discussed briefly in the Letter Report on the 10-Year Financial Plan and 5-Year Rate Summary, on page 4, included in the September 19 meeting.*

*There are some fluctuations in actual vs. budgeted for this program historically, but generally we see budgeted figures in recent years at around \$130,000 above actual expenditures, up to 2016/17. In FY 16/17, we see budgeted \$1,061,161, with expenditures of \$706,634, a difference of over \$350,000. For other utility fund budgets, including Wastewater and Water, the difference of \$350k would be minimal, however for the Solid Waste Diversion budget, as it is quite small in comparison, it shows as a significant alteration. In 2016/17, staff began the process of issuing the RFPs for the Solid Waste Rate Study, and the Organics Processing Feasibility Study, a combined expense of \$171,800. The studies and expenditures were approved in FY 16/17, however they were approved near the end of the fiscal year, and as contracts were signed in July 2017, and no funds of that additional \$171,800 were spent during 16/17. In addition, two vacant positions in the beginning of 2016/17 contributed to an unforeseen savings in salary costs.*

*The budgeted amount for 2017-2018 appears to be spot-on. However, the reason the budget is so close to actual in 2017-2018 is that actual is much higher in 2017-2018 than in prior years (by coincidence, about \$300,000 higher). At a glance, it looks like there are three cost categories that might contribute to this increase; the expenditures for the consultant contracts on the Solid Waste*

*Rate Study and Organics Processing Feasibility Study, with the additional \$56,610 associated with the Organics study, increases in salary and benefits costs, and increases in internal support charges associated with city operations.*

Q J5: Calculate the rate impact if costs for LITS were allocated only to single family properties

*A J5: This calculation was not performed. Multifamily and commercial customers do pay for and utilize the LITS service.*

Q J6: Include a breakdown of all cost assumptions and escalations used in the model

*A J6: All cost assumptions and escalations were described in detail by R3 in the Letter Report on the 10-Year Financial Plan and 5-Year Rate Summary included in the September 19 meeting*

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### **August 15, 2018 - Utility Rate Advisory Commission Meeting**

**Item 6C - Discuss Alternative Approach to Loose in the Street (LITS) Yard Material Collection.** (*Stan Gryczko, Assistant Public Works Director*). Recommendation: Discuss a possible alternate approach to providing and/or recovering costs of Loose in the Street (LITS) yard material collection service for city solid waste customers. (30 min)

#### **Commission Questions:**

Q A1: Are the costs and impacts associated with re-capitalizing the equipment utilized by the city's hauler, Recology Davis, included within the report and the impacts known?

*A A1: Main line garbage, recycling, and organic cart equipment is included in the contractual rate. Capital equipment necessary to continue operating the LITS program beyond 2 years will need to be reviewed.*

Q A2: Does the data show if Davis has an unusual obligation with the city's urban forest, and show a need for a loose in the street collection program which does not exist in other areas?

*A A2: No specific analysis was conducted on the city's canopy for the purposes of this study, however information was provided in July in regards to jurisdictions without LITS collection with larger urban forests. It is suggested that if a review is desired by the Commission, it could be proposed during the long-term review of the city's solid waste service. (See also - A J1)*

Q A3: Was a study done on the cost of a subscription service for yard material collection?

*A A3: For the purposes of this study, general cost assumptions associated with a number of options (13, as presented to the commission in December 2017) were reviewed by the consultant during the initial review of the LITS service. Working with the commission, and then with the public via the community survey, the four alternatives for LITS used for an in-depth analysis were determined, and a subscription service was not an option selected as a priority by either the commission or the public. Given the shift in direction at this time, and the structure of the LITS service review to be conducted in the future, the commission can determine if a review of a subscription yard material collection service is warranted moving forward.*

Q A4: Provide a table of options for yard material collection currently not under consideration by R3 (on-call service, subscription service, etc.)

*A A4: This information was included in the packet for the September 19, 2018 meeting, as attachment 2 to Item 6C.*

**September 19 - Utility Rate Advisory Commission Meeting**

**Item 6C - Solid Waste Rate Cost of Service Study Review.** (Richard Tsai, Environmental Resources Manager). Recommendation: Informational. (60 min)

**Commission Questions:**

Q S1: Provide a list of written questions and answers.

A S1: *This has been completed.*

Q S2: Where do the environmental mitigation impact fees paid out by Recology go, and are they directly tied to mitigation activities?

A S2: *Environmental Mitigation impact fees go into the general fund, they are indirectly tied to the pavement management program, which is partially general-fund funded.*

Q S3: Include a timeline to show next steps of the solid waste rate cost of service effort

A S3: *Included in staff report presented at meeting on October 19.*

Q S4: Provide an estimate of the increase in the solid waste rates on the average overall city utility bill

A S4: *An average single family residential city services bill is \$155 per month. An increase of \$5 to the solid waste rate, for example, will represent 3.5% of the total city services bill.*

water base charge	13.07	2019 rate
water consumption charge (based on 8 CCF)	40.08	2019 rate
drainage	3.46	
drainage water quality	1.52	
municipal service tax	7.97	
public safety charge	6.26	
65 gal garbage	39.32	with \$5 increase
sewer base charge	3.94	
sewer volume charge (based on 7 CCF)	21.91	
sewer per unit charge	18.26	
<b>Total monthly city services bill</b>	<b>155.79</b>	

Q S5: Was the question of cost allocation between classes of customers considered?

A S5: *At the start of the engagement a preliminary COS analysis was conducted based on information provided by DWR. That information indicated that commercial rates may be subsidizing residential rates, perhaps on the order of 20%+/- . That information, however was preliminary and there were a number of questions related to the data that could materially impact the results. Additionally, that analysis did not account for City costs. The analysis was never finalized due to the Recology assignment. The City may wish to consider revisiting this analysis in the future based on data specific to Recology's operating expenses.*

Q S6: What is the revenue allocation, and who is paying for the increase?

A S6: *The projected rate adjustments are projected to apply evenly to all waste generation sectors, including single-family, multi-family and commercial sectors.*

Q S7: Provide an alternative fee structure where the cost between cart sizes is a fixed dollar cost, rather than a percentage

Single Family Monthly Service Charges Structured with Uniform Rate Adjustments by Year						
Single Family Garbage Cart Size	Current 2018	Proposed 2019	Proposed 2020	Proposed 2021	Proposed 2022	Proposed 2023
35-Gallon	\$ 31.00	\$ 35.19	\$ 38.70	\$ 41.80	\$ 43.89	\$ 46.08
65-Gallon	\$ 34.32	\$ 38.95	\$ 42.85	\$ 46.28	\$ 48.59	\$ 51.02
95-Gallon	\$ 40.94	\$ 46.47	\$ 51.11	\$ 55.20	\$ 57.96	\$ 60.86

Single Family Monthly Service Charges Structured to Maintain Current Rate Differential						
Single Family Garbage Cart Size	Current 2018	Proposed 2019	Proposed 2020	Proposed 2021	Proposed 2022	Proposed 2023
35-Gallon	\$ 31.00	\$ 35.96	\$ 40.10	\$ 43.80	\$ 46.32	\$ 48.87
65-Gallon	\$ 34.32	\$ 39.28	\$ 43.42	\$ 47.12	\$ 49.64	\$ 52.19
95-Gallon	\$ 40.94	\$ 45.90	\$ 50.04	\$ 53.74	\$ 56.26	\$ 58.81

## September 24 - Questions Received via Email

### Commissioner Submitted Questions:

Q W1: Can City contract out for each service independently for each lines of business (LOBs)? And would the cost be the same in each case?

*A W1: Without a re-negotiation of the solid waste franchise agreement, services are not able to be separated out. The cost of individual contracts most likely will be higher due to City administrative costs of each contract.*

Q W2: Define Roll-off services

*A W2: a roll-off service is ordered directly from the hauler by the customer. Roll-off consists of 10 yard to 40 yard bins and includes a delivery/removal of the bin charge plus a landfill tipping fee.*

Q W3: Is there a reason not to make landfill dump free to utility customers? (Reference to landfill coupons)

*A W3: City would need to incur internal admin and Yolo County admin costs for a free landfill coupon program, in addition to landfill tipping fees, which would in turn be paid for by solid waste rates.*

Q W4: During the first full year of the residential organic cart program, the total organic tons collected for composting increased by 13%. Is this due to diversion of food scraps or diversion of yard piles into the carts?

*A W4: it is due to both activities since the 13% increase accounts for both LITS and organic cart tonnages.*

Q W5: What are the cost implications of the percentage of LITS participation?

*A W5: Bulk of the cost of the LITS program are labor and fuel charges. Trucks would need to drive up and down a street regardless if LITS is set out for collection or not. The % LITS rate shows that the same organic material is being removed, it's just being shifted from LITS into the carts. Also, data shows that at any given month, the LITS participation rate is around 20% of all single family customers.*

Q W6: At the time of green waste containerization decision, what was the forecast and/or target for the % of on-going LITS collections to be diverted to containers over time?

*A W6: Staff and hauler forecasted that over 50% of the weight would be diverted into containers over time. The lower than expected LITS participation rate supports that estimation.*

Q W7: What was the expected rate impact of the containerization decision? % increase or decrease?

*A W7: The expected rate impact was no additional hauler costs to the City with the base program. The adopted program (with weekly pickup during leaf drop season) was anticipated to cost about \$2.45 per/account/month.*

Q W8: Where does the current mixed organics go?

*A W8: Yolo County landfill for acceptance and initial hold for transfer. Then transferred to Zamora for processing. After processing, the compost is sold mostly to famers in Napa County*

Q W9: The Solid waste 10 year financial plan report has no reference to managerial or policy guidance or reference to the RFP. It doesn't identify the City's objectives.

*A W9: R3 can include goals presented in the RFP for the study within the final draft of the report. It is important to remember, however, that the current study underway is a short-term review of the city's Solid Waste Utility, and does not include a review of long-term components of the service. The intention is to revisit this utility within the long-term planning process, and recommend policy guidance through the work of the URAC and NRC.*

Q W10: The gradual increase of the Solid Waste Fund balance to meet a reserve target of 15% of operating expenses by FY27/28... are the operating expenses annual?

*A W10: Yes, the goal is to gradually increase the fund balance to meet and carry a reserve target of 15% of annual operating expenses.*

Q W11: Please clarify the discussion regarding revenue losses due to garbage cart size downward migration.

*A W11: Solid waste budgets are set on a fiscal year basis, but service charge adjustments are set on a calendar year basis. There is a lag time for catch up between each January to June to account for any possible garbage cart migration revenue losses (modeled at 0.5% each half year).*

Q W12: Why isn't there a forecast of Yolo County tipping fee increases and only a contingency?

*A W12: Yolo County has had many changes in recent years in their sub-contracts and methods of providing service. Until their permanent facility is built and fully functional, it would be difficult for City to obtain forecasted landfill tipping fees from the County for organic processing. The City and other jurisdictions recently met with Yolo County Landfill leadership to express a desire for a 5-yr estimate of tipping fees.*

Q W13: Clarify the increase to the environmental mitigation assessment.

*A W13: currently per agreement, Recology Davis pays City \$100,000 per year for environmental mitigation to cover the pavement impacts of providing service. From an analysis conducted by R3 and reviewed with City's engineering division, an additional \$220,000 per year is needed to maintain the pavement at an acceptable pavement condition index (PCI).*

Q W14: City has the option to ask Recology Davis to sweep bike paths, this is in reference to off-street bike paths. Does the City intend to exercise this option?

*A W14: There is interest from City Management to exercise this option. It would require a contract amendment in order to implement.*

Q W15: Closed City landfill mitigation funding, where did this come from all of a sudden?

*A W15: It is in the best interest of the City to mitigate and prepare City owned land (old landfill site) for future uses. It was preliminarily determined that the most effective way to prepare this site for other use would be to remove the landfilled cells and transport the waste to another landfill. It is not related to the PVUSA site.*

Q W16: The Draft 10-Year Plan shows debt service on a \$4,000,000 facility investment payable over 20 years at 3% interest, starting outside of the 5-year rate horizon in FY 23/24. So the tentative decision is to make the investment?

*A W16: No determination has been made regarding capital investment beginning in year 6 of the model. This cost is included in the 10-yr planning projection since DWR indicated investment in the current transfer station would most likely be necessary at some point in the future. In some respects, this cost is not City controlled unless it is determined during our look at long term solid waste handling that moving the transfer station vs. paying for capital improvements at that site is more beneficial for the City.*

Q W17: Commission had a question whether or not off-campus student housing will have an impacts on rates?

*A W17: off-campus student housing would be assessed at the multi-family residential rate, it would have minimal impact on the overall rate structure.*

Q W18: status of Senate Bill 1383?

*A W18: SB 1383 was signed into law by Governor Brown September 19th, 2016. It requires a 75 percent reduction in statewide disposal of organic waste by 2025. This includes a goal of 20% of edible food that is currently disposed of to be recovered for human consumption. The bill aims to reduce Short Lived Climate Pollutants, or "Super Pollutants", emitted in the state, including methane from the waste sector.*

Q W19: The City should note that the Draft 10-Year Plan and recommended service charge adjustments result in an initial draw-down of the fund balance to 1% of operating revenues, and slowly builds up fund balance reserves to 15% of operating expenses by the end of the 10-year planning horizon. As a result, the City will have limited reserves (below 5% of operating expenses) in the first five years of the 10-Year Plan, with reserves growing steadily leading up to FY 27/28. Justification?

*A W19: the primary reason for the proposed rate increases is to avoid one large increase in the first year of the plan.*

Q W20: Rationale of 35 gal vs 65 gal vs 95 gal cost differences?

*A W20: it was based on an independently study that was conducted to weigh the garbage in the different cart sizes and scaled citywide. The cost differences account for the landfill tipping fee differences.*

Q W21: There is an average of 1,000 vehicle trips per day on a typical residential street, with 2% of those trips made by trucks, including Refuse Vehicles. 1,000 trips is one or 2 passes?

*A W21: the estimate includes 2 passes.*