

# FINAL REPORT

City of Roseville

## Solid Waste Financial Plan & Rate Study

*submitted electronically: April 17, 2025*



R3

April 17, 2025

Mr. Joseph Barrow  
Business Analyst  
City of Roseville  
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*submitted via email: jlbarrow@roseville.ca.us*

**SUBJECT: Solid Waste Financial Plan & Rate Study – R3 Final Report**

Dear Mr. Barrow,

R3 Consulting Group (R3) is pleased to submit this Final Report to the City of Roseville (City) detailing our methodology, findings, and recommendations as related to the City's Waste Services Operations Fund (Solid Waste Fund) and associated waste service rates.

The City engaged R3 to prepare a Financial Plan and Rate Study (Study) analyzing and forecasting necessary expenses and revenues in the Solid Waste Fund. This included development of a 10-year financial plan and projection of needed adjustments in solid waste service rates charged to customers for fiscal year (FY) 2025-26 through FY 2034-35, via two Scenarios (described below). The results of this Study may be used by the City to set rates for upcoming FY 2025-26 and FY 2026-27.

***Study findings and recommendations include:***

- » Reserve balances in the Solid Waste Fund are healthy and may be modestly drawn upon to keep adjustments to waste service rates moderate while keeping solid waste services and operations whole.
- » The City should seek to maintain adequate fund reserves given potential future capital investment needs (for vehicles and facilities) that are not contemplated by this Study.
- » For **Scenario 1** (no bulky item pickups added to residential services), R3 recommends annual adjustments to solid waste rates of 3% each of the coming two FYs, effective on July 1, 2025 and 2026, for all rates. These two years of rate adjustments are projected in the 10-year financial plan to be followed by four FYs of rate adjustments at 5% (through FY 2030-31), followed by 3% rate adjustments through FY 2034-35.
- » For **Scenario 2** (residential bulky item pickups included), R3 recommends annual adjustments to solid waste rates of 5% each of the coming two FYs, effective on July 1, 2025 and 2026, for all rates. These two years of rate adjustments are projected in the 10-year financial plan to be followed by four FYs of rate adjustments at 5% (through FY 2030-31), followed by 3% rate adjustments through FY 2034-35 (the same schedule of adjustments as per Scenario 2).
- » Based on market rate comparisons, the City may choose to adopt new rates for certain services types, which include:
  - Adaptation of the existing per-month locking fee to a per-incident locking fee, based on results from the market rate survey conducted as a part of this Study.
  - Adaptation of the existing per-month push/pull fee to a per-incident based fee, based on results from the market rate survey conducted as a part of this Study.
  - Adaptation of the existing City Designated Shared Service rate structure to include shared non-compactor container rates for commercial and multi-family subscribers.

- Establish a new at-cost container and equipment replacement fee to recover the direct cost of repairs or replacements due to damage beyond normal wear and tear.
- » Recommended adjustments to solid waste service rates will not recover more revenue than necessary to meet the City's costs of providing solid waste services.
- » Recommended adjustments to solid waste service rates are fair and equitable, with costs for provision of solid waste services being allocated proportionately among solid waste service customers.

\* \* \* \* \*

We appreciate this opportunity to work with you and your team and to be of service to the City. If you have any questions, please contact us via the methods shown below.

Sincerely,



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# TABLE OF CONTENTS

- 1. Executive Summary**  
page 1
- 2. Background**  
page 2
- 3. Solid Waste Financial Plan**  
page 5
- 4. Solid Waste Rate Study**  
page 10



## Attachments

- 1a.** Scenario 1 Recommended Solid Waste Rates FY26-FY30
- 1b.** Scenario 2 Recommended Solid Waste Rates FY26-FY30
- 2a.** Scenario 1 Solid Waste Financial Plan Summary
- 2b.** Scenario 2 Solid Waste Financial Plan Summary
- 3a.** Scenario 1 Solid Waste Expense Projections
- 3b.** Scenario 2 Solid Waste Expense Projections

# 1. EXECUTIVE SUMMARY

## Purpose

The City engaged R3 to conduct the Study to analyze and forecast necessary expenses and revenues in the Solid Waste Fund, develop a 10-year financial plan, and project needed adjustments to solid waste service revenues and rates charged to customers for FY 2025-26 through FY 2034-35.

## Methodology

In completing the Study, R3 conducted a detailed review of the City's current and projected revenues at current solid waste rates as well as projected necessary solid waste service costs. This analysis was completed in collaboration with City staff, with adjustments being made over multiple revisions to ensure that projected expenses were accurate. Expense projections include inflationary increases in primary cost categories such as labor, fuel, recycling, composting, and disposal costs. Expense projections also include optional addition of a new collection route for a residential bulky item pickup program (Scenario 2 only), allowing for up to two bulky pickups per household annually.

Adjustments in solid waste service rates charged by the City were then calculated to meet the City's objectives, which included adequately recovering revenues to ensure the financial sufficiency of the Solid Waste Fund for the coming ten fiscal years and minimizing customer impacts resulting from rate adjustments. The Study was developed with input and feedback from City staff.

## Findings

### *The primary findings from this Study are:*

- » Solid waste services provided by the City (including collection of refuse, recycling, and organics) are critical services and are required for health and safety as well as compliance with State laws.
- » The City's solid waste collection operations are well-managed and well-run, and with available cost-efficiency measures already being implemented where feasible.
- » Reserve balances in the Solid Waste Fund are healthy and may be drawn upon to keep future adjustments to solid waste service rates moderate.
- » The City should seek to maintain adequate fund reserves given potential future capital investment needs (for vehicles and facilities) that are not contemplated by this Study.
- » Recommended adjustments to solid waste rates are not more than necessary to fund the City's expenses for solid waste services.

## Recommended Rate Adjustments

For Scenario 1 (no bulky item pickups added), R3 recommends adjustments to solid waste rates of 3% for each of the coming two FYs on July 1, 2025 and 2026, followed by 5% annual adjustments through FY 2030-31. Rate adjustments are projected to be 3% annually for the following four FYs through FY 2034-35. For Scenario 2 (new service for residential bulky item pickups), R3 recommends adjustments to solid waste rates of 5% for each of the coming two FYs on July 1, 2025 and 2026, followed by 5% annual adjustments through FY 2030-31. Rate adjustments are projected to be 3% annually for the following four FYs through FY 2034-35.

Summaries of recommended rate adjustments are shown in tables and charts in Section 4 (Solid Waste Study) of this report, and with the complete set of rate tables included in **Attachment 1** (Recommended Solid Waste Rates FY26-FY30). Current effective solid waste rates are also shown in **Attachment 1**.

## 2. BACKGROUND

### Municipally Operated Solid Waste Services

The City's Environmental Utilities Waste Services Division provides critical solid waste programs and services to residents and businesses in the City. The City is among the few public agencies in California that provide these services to residents and businesses as a municipal operation, from which the primary benefit is the City's direct control over programs, flexibility in provision of service, and high responsiveness to public needs.

The City provides its customers with trash and green waste collection. Residential collection for trash occurs on a weekly basis and green waste is collected every other week. The frequency of commercial pickups depends on the customer's subscribed service level.

***The City also provides the following special collection events or services:***

- » Household hazardous waste doorstep pick up.
- » Illegal dumping cleanup.
- » Street sweeping.
- » Neighborhood cleanup events.
- » Christmas tree recycling.

### Compliance with SB 1383

Services and programs provided by the City are critical to preserve public health and are also required to fulfill State mandates for the reduction of GHG emissions. Per SB 1383 (the Short-Lived Climate Pollutant Act of 2016) the City must implement a variety of programs and services to recover and recycle organic waste (such as food scraps, yard trimmings and paper) and thus reduce GHG emissions from landfills. There may be future additional costs to the City associated with achieving SB 1383 compliance, beyond those contemplated by this Study.

SB 1383, or Short-Lived Climate Pollutants: Organic Waste Methane Emissions Reductions, establishes methane emissions reduction targets and grants the state agency CalRecycle the authority to pass regulations to achieve those targets. The law is an unfunded state mandate which passes responsibility for achieving the targets to local agencies. This law has the immediate goal of reducing organic waste sent to landfill and the ultimate objective of reaching statewide methane emissions reduction targets. Specifically, it sets a statewide goal for the reduction in organic waste to landfills – 50% by 2020 and 75% by 2025 – in addition to the recovery of 20% of edible food waste for human consumption.

SB 1383 requires local governments, including the City, to provide organics collection to all generators, and all generators to subscribe to organics collection service. It also has specific mandates for container systems, education and outreach programs, monitoring and contamination reporting, and enforcement of regulations. CalRecycle has the discretionary authority to begin enforcement actions on jurisdictions and other entities for lack of compliance with SB 1383 starting on January 1, 2022. Civil penalties may begin accruing as of January 1, 2024.

The City is working on achieving full compliance with SB 1383 long-term, and is contemplating various changes in services and collection operations, including construction of a new facility, that will allow the City to achieve compliance with SB 1383 and other regulatory requirements. These costs are not included in this Study beyond existing services, and therefore R3 recommends the City maintain a robust operating reserve in the Solid Waste Fund in preparation for future development.

## Solid Waste Fund

The Solid Waste Fund primarily refers to the City's Waste Services Operations Fund (6301), but for the purposes of this Study also includes the Waste Services Rate Stabilization Fund (6310) and the Waste Services Rehabilitation Fund (6330).

Approximately 99% of solid waste service funding is derived from charges paid by residents, businesses, multi-family dwellings, and other generators for disposal, recycling, and composting services. The remaining 1% is sourced from capital replacement reserves, grants, reimbursements, and the sale of recyclables.

## Rate Options Survey

R3 completed a solid waste services market rate survey for the City as part of this Study. As part of the market rate survey, R3 reviewed residential and commercial rates along with the corresponding services provided (e.g., collection service levels, bulky item pickup, and related fees). Data was gathered through a combination of city websites, telephone interviews, and email correspondence with participating jurisdictions.

R3 included a mix of municipally operated solid waste collection systems from across the state, as well as jurisdictions neighboring the City, in the market rate survey. The selected jurisdictions are listed below.

|                  |                                      |                   |
|------------------|--------------------------------------|-------------------|
| » Bakersfield    | » Merced                             | » Sacramento City |
| » Citrus Heights | » Milpitas                           | » San Leandro     |
| » Del Mar        | » Napa County                        | » Santa Clara     |
| » Folsom         | » RecycleSmart (Contra Costa County) | » Shasta County   |
| » Hayward        | » Rocklin                            | » Union City      |
| » Lincoln        |                                      | » Woodland        |

As part of the rate alternatives evaluated in the Study, the City is considering a bulky item pickup program for residential customers, with two free pickups per year included in the rates. All jurisdictions surveyed had bulky item collection programs, with four programs that had 1-3 scheduled or on-call bulky item pickups per year. Most jurisdictions had size limitations of 1-10 cubic yards per pickup. Two jurisdictions utilize a drop-off site for bulky waste collection that is free of charge for residents.

Commercial rate alternatives evaluated in the Study include:

- » Locking fees (change from a monthly flat fee to a per-incident fee).
- » Push/pull fees (change from a monthly flat fee to a per-incident based fee).
- » Equipment/container replacement and repair fees, outside normal wear and tear (new fee).
- » Shared compactor container rates expanded to include non-compactor shared service, newly titled "City Designated Shared Service".

For locking fees, other jurisdictions tend to charge monthly fees, and a small number charge on a per incident or per use basis. Some other jurisdictions only charge for the installation and/or replacement of locks, not monthly or per use fees. Almost all jurisdictions surveyed had fees for installing locks and replacing locks. Some jurisdictions do not charge for hauler-provided locks but do charge per use for customer-provided locks. A few also include fees for locks on enclosures and gates.

For push/pull fees, some jurisdictions charge monthly fees or increase cost by number of weekly pickups, and some charge on a per distance basis. Costs and distances provided vary widely between jurisdictions, and a few jurisdictions do not charge for shorter distances (e.g., 0-20 feet).

For equipment/container replacement and repair fees, very few jurisdictions provide specific fees for container replacements or swaps for specific sized containers, with some simply stating “Market Rate of Missing Bin/Cart”. Most jurisdictions do not specify exact fees for container replacements, swaps, or repairs. Those jurisdictions that do offer specific costs for specific container size replacements, swaps, or repairs, usually allow for one free replacement/swap per year. Most jurisdictions that provide specific fees are for smaller base rate containers, but one jurisdiction did provide specific rates for 3-yard and 6-yard plastic and metal dumpsters and further stated that “bins with compacted material are charged three times the standard bin rate”.

For shared compactor rates, a few jurisdictions had rates that ranged widely from \$25/month plus tonnage to \$355/month for a 3-yard container. Most jurisdictions do not use or provide shared compactor rates, and no shared non-compactor rates were identified in this review.

Recommendations for rate adjustments based on the rate options survey are detailed in **Section 4** of this report under Recommended Rate Adjustments.

# 3. SOLID WASTE FINANCIAL PLAN

## Methodology & Objectives

In completing this Study, R3 evaluated and projected the City's solid waste service revenues at current rates, operating, capital and SB 1383 compliance expenses, as well as Solid Waste Fund balance reserves over a ten-year financial planning period.

**The primary objectives of this Study were to:**

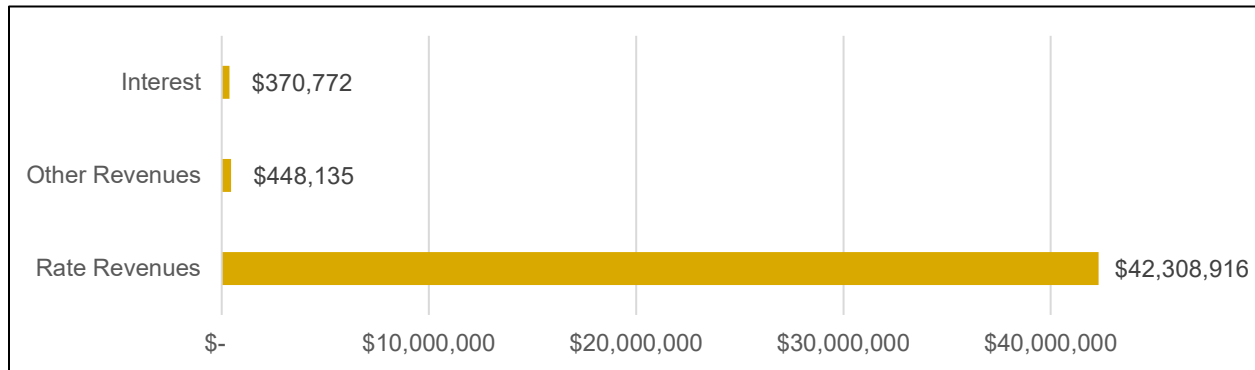
- » Ensure financial stability in the Solid Waste Fund by generating waste service rate revenues to cover costs, fund normal vehicle replacements, and maintain healthy reserves.
- » Identify costs associated with new rate options the City would like to implement, including the addition of a residential bulky item pickup program.
- » Provide for reasonable adjustments to the solid waste service rates by leveraging healthy fund reserves.

This section of the Study report provides details regarding our findings related to each of these areas of analysis. A summary of the 10-year solid waste financial plan for the Solid Waste Fund is included as **Attachment 2** (covering each of two Scenarios prepared via this Study).

## Projected Revenues

99% (\$42.3 million in FY 2023-24) of the revenues into the Solid Waste Fund are from the monthly waste service rates charged to residents and businesses via the City's utility bills for solid waste and recycling collection, processing, recovery, and disposal services. The remaining revenues are generated from other sources, mainly from interest on rate revenues. Chart 1, below, shows the amounts of revenues into the Solid Waste Service Fund at the current (as of FY2023-24) solid waste service rates.

**Chart 1: Revenue Sources by Type and at Current Rates (FY 2023-24)**



For the purposes of this Study, projected changes and adjustments in revenues focus exclusively on solid waste service rates and capital transfers to and from other funds. This is because the other revenue sources are de minimis and have not historically changed in appreciable ways and are thus presumed to remain flat. Moreover, this Study does not contemplate or forecast growth in the number of ratepayers paying for solid waste services. This is because growth in accounts cannot be reliably projected at this time and further because, with rates being set to cover the cost of providing services, it is understood that new rate revenues will cover the costs of new solid waste service expenses for new customers.

Overall, and prior to recommended adjustments to solid waste rates, operating revenues into the City's Solid Waste Fund are projected at \$42.9 million in FY 2024-25.

## Projected Expenses

### Inflationary Changes to Baseline Operating Expenses

The City’s operating expenses are projected to increase annually by an average of ~4.2% per year in the coming five years. The following is a summary of the inflationary assumptions included in this Study for baseline operating expenses, which do not include new expense for capital replacement or changing to a 3-cart collection system. **Table 1**, below, shows projections for all expenses over the five-year rate study period.

- » Labor costs (inclusive of salaries, wages, and benefits) increasing 5% per year.
- » Administrative costs increasing by 6% per year.
- » Maintenance and equipment costs increasing by 4% per year.
- » Customer service, including outreach and education costs, increasing by 3% per year.
- » Residential pickup program costs increasing by 4.5% per year, FY25 and FY 26, and then 4% per year thereafter.
- » Commercial pickup program costs increasing by 4.5% per year, FY25 and FY 26, and then 4% per year FY27 and FY28, then 3% per year thereafter.
- » Disposal costs increasing by 3% for FY 25, and then 5% per year for FY26 and FY 27, then 3% thereafter.
- » Recycling and organics costs increasing by 3% per year.
- » Street sweeping costs increasing by 3% per year.
- » Adjustments, reimbursements, and interfund transfer costs increasing by 3% per year.

**Table 1: Expense Inflation Factors**

| Expense Category                         | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 |
|--|------------|------------|------------|------------|------------|
| Labor Costs                              | 5.0%       | 5.0%       | 5.0%       | 5.0%       | 5.0%       |
| Administration                           | 6.0%       | 6.0%       | 6.0%       | 6.0%       | 6.0%       |
| Maintenance & Equipment                  | 4.0%       | 4.0%       | 4.0%       | 4.0%       | 4.0%       |
| Customer Service                         | 3.0%       | 3.0%       | 3.0%       | 3.0%       | 3.0%       |
| Other Operating Costs                    | 4.5%       | 4.5%       | 4.5%       | 4.5%       | 4.5%       |
| Residential & Commercial Pickup          | 4.5%       | 4.5%       | 4.0%       | 4.0%       | 4.0%       |
| Disposal (Landfill)                      | 3.0%       | 5.0%       | 5.0%       | 3.0%       | 3.0%       |
| Recycling                                | 3.0%       | 3.0%       | 3.0%       | 3.0%       | 3.0%       |
| Organics                                 | 3.0%       | 3.0%       | 3.0%       | 3.0%       | 3.0%       |
| Street Sweeping                          | 3.0%       | 3.0%       | 3.0%       | 3.0%       | 3.0%       |
| Adjustments, Reimbursements, & Transfers | 3.0%       | 3.0%       | 3.0%       | 3.0%       | 3.0%       |

### Operating Reserves and Capital Purchases

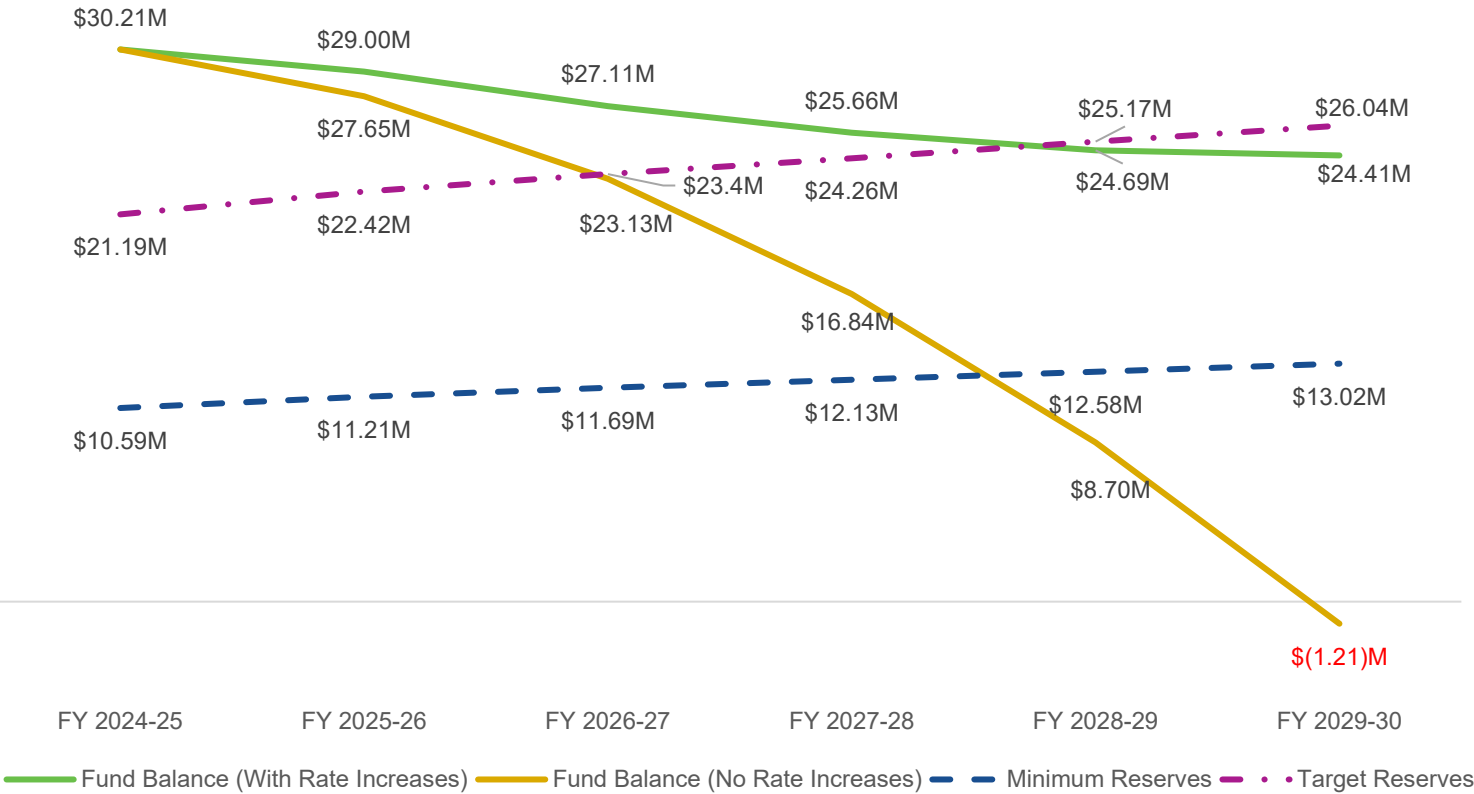
The City is in the planning process for construction of a new Environmental Utilities Operations Center facility including a Material Recovery Facility (MRF) for mixed recycling collection and processing, a transfer station for organics and garbage disposal, and a potential future organic waste processing facility, as well as other programs and services provided at one shared location. The facility will also include locations for fleet charging in anticipation of new CARB Advanced Clean Fleets (ACF) regulations and various divisions of the City’s EU department. Construction of the new facility is projected to cost \$60 million and may commence as soon as FY2027-28.

However, the plans and funding for the facility are not yet defined, and so for the purposes of this Study payment of these costs is not considered. Additionally, the capital costs for zero emission fleet infrastructure are not included in this Study.

In addition to the primary solid waste operations fund (6301) reviewed in this Study, the City uses two additional solid waste funds for solid waste rate stabilization (6310) and waste services rehabilitation (6330). Fund 6310 holds operating reserves to supplement rates as needed. Fund 6330 receives surplus revenues from Fund 6301 when available and provides for purchases of replacement vehicles or other equipment, and other special needs.

As shown in **Chart 2**, below, the Solid Waste Fund will remain healthy over the planning period if rate increases are implemented. However, if rate increases are not implemented, the operating reserves will be depleted and become negative in FY 2029-30, and debt will increase rapidly in the following years. Minimum operating reserves are shown, as well as target reserves which may be needed for future capital development.

**Chart 2: Waste Services Reserve Levels**



**Overall Expense Projections**

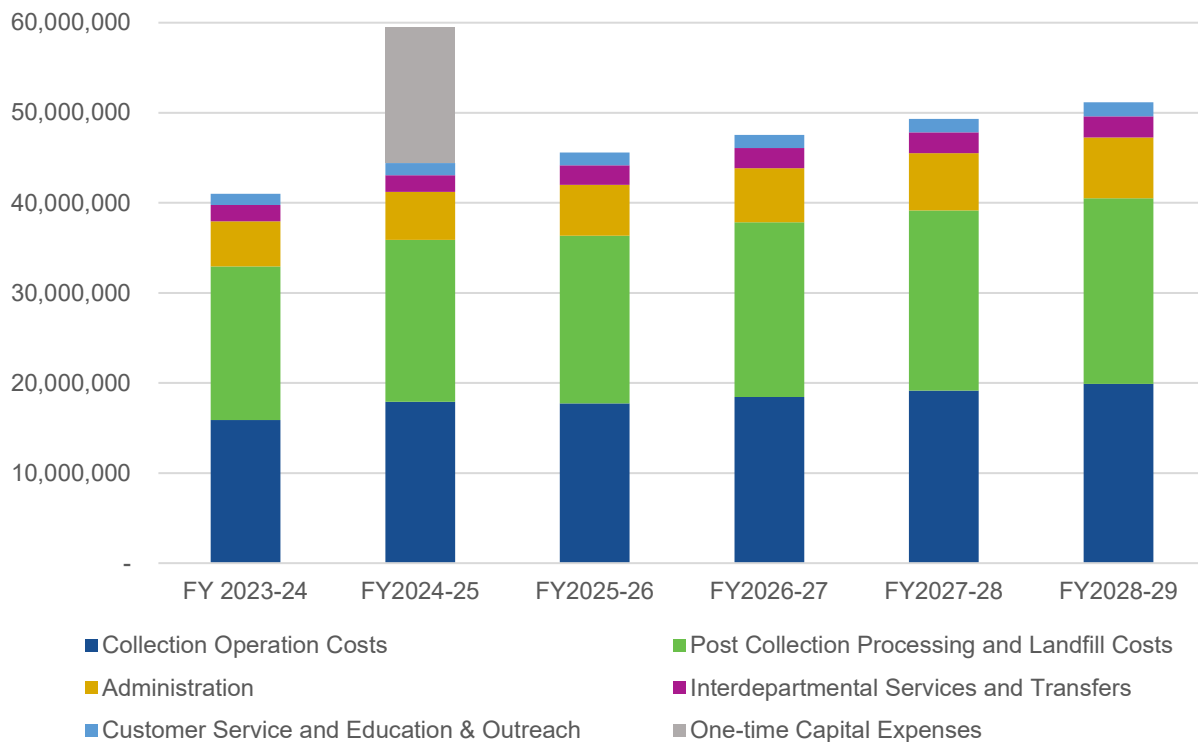
Taken altogether, annual projected expenses will slightly exceed projections of revenues at current solid waste rates for several years in the ten-year financial forecast, however, the City’s robust operating reserves will remain stable if rate increases are implemented.

**For the next five fiscal years, via Scenario 1:**

- » Projected expenses in the Solid Waste Fund for FY 2024-25 are \$59.5 million (including \$15 million in capital expenses for the new waste services operation center) while projected revenues at current rates are \$43 million.
- » Projected expenses in FY 2025-26 are \$45.6 million while projected revenues are \$44.4 million.
- » Projected expenses in FY 2026-27 are \$47.5 million while projected revenues are \$45.6 million.
- » Projected expenses in FY 2027-28 are \$49.3 million while projected revenues are \$47.8 million.
- » Projected expenses in FY 2028-29 are \$51.1 million while projected revenues are \$50.2 million.

Projected expenses by year for the next five fiscal years are shown in **Chart 3**, below, and are compared to the amended final expenses for the most recent FY 2023-24. Complete expense projections for both Scenarios 1 and 2 are shown in **Attachment 3**.

**Chart 3: Summary of Current and Projected Expenses**



## Recommended Adjustments to Solid Waste Rates

To continue meeting operating expenses while maintaining operating reserves for future projected expenses such as capital projects, R3 recommends modest increases in solid waste rate adjustments as shown below:

- » Scenario 1 (no bulky pickups): 3% each in FY 2025-26 and FY 2026-27, then 5% each in FY 2027-28 through FY 2030-31, followed by 3% annual adjustments in FY 2031-32 through FY 2034-35.
- » Scenario 2 (add residential bulky pickups): 5% each in FY 2025-26 through FY 2030-31, then 3% annual adjustments for FY 2031-32 through FY 2034-35.

Notably, these recommended adjustments avoid higher increases to waste service rates by continuing to supplement operational expense requirements via use of available balances in the Solid Waste Fund, as shown in **Chart 4**, on the following page.

**Chart 4: Projections of Revenues, Expenses and Reserves by Year**



While using available fund balance to phase-in rate adjustments is appropriate and advantageous, it is also important to maintain minimum reserve levels. Currently, forecasted operating reserves are strong and will not be below 25% in any given year of the forecast. Although this Study recommends rate adjustments on a five-year schedule ending FY 2029-30 (maximum five-year schedule for rate adjustments under Proposition 218), should the City choose, it may schedule rate adjustments on a two-year schedule ending FY 2026-27.

The City may also choose to spend down its current operating reserves by reducing future rate adjustments, so that future operating reserves are closer to the City’s 25% minimum reserve policy. However, that is not recommended as it is anticipated that the City will need to fund future capital facility and equipment needs that are not included in this Study.

## 4. SOLID WASTE RATE STUDY

### Methodology & Objectives

R3 recommends a five-year rate schedule through FY 2029-30 with rate adjustments uniform across all sectors. The City may also revisit the Study after two years to be able to make a more certain determination on future rate adjustment needs. Using the projections of revenues, expenses, and fund reserves, the Study yields recommended adjustments to waste service rates effective July 1, 2025, through June 30, 2030 (see **Attachment 1**).

As part of this Study, the City requested that R3 provide Scenario 1 and Scenario 2, where Scenario 2 includes expenses for a new residential bulky item pickup program. In Scenario 2, residents would be able to access bulky item pickups upon request, up to two times per year per customer account. Rate adjustments would vary slightly depending on which scenario the City selects, as detailed in Section 3 above.

***In addition to the proposed bulky item pickup program, the City further requested information on rate options for the following:***

- » Push/pull fees based on per-incident (currently a \$21.15 flat monthly fee).
- » Locking fees based on number of occurrences (currently \$14.10 flat monthly fee).
- » Commercial shared collection rates for non-compactor containers (currently only compactors have shared rates).
- » Instituting a fee on the master rate sheet for charging customers for equipment/container replacement or repair, excluding normal wear and tear, “at cost”, depending on the type and size of container as well as the replacement or repair necessary.

These rate options are reviewed in more detail in the Rate Survey summary of Section 2, above.

### Proportionality in Cost-of-Service

R3 analyzed the proposed waste service rates for adequacy with respect to proportionate allocation of costs among waste service customers. R3 found that the City’s current (and thus also proposed) solid waste rate structure proportionately allocates costs to service types based on the relative differences in cost associated with the types and sizes of services provided to customers.

For example, for residential customers subscribed to 95-gallon cart waste service (currently \$36.05/month), cost-of-service for those subscribed to the second additional 95-gallon gray container (\$24.65) is proportionately less than those subscribed to just the single 95-gallon container size. Further, if residential customers request an additional 95-gallon green cart beyond the one included in the bundled rate, it also costs less than the primary collection rate (\$13.10). This is because the base residential customer service is a bundled service comprised of garbage and green container service. Thus, the costs of the standalone additional services are less than the base bundled service offering.

Comparing commercial with residential rates, residential per-gallon costs-of-service for both 95-gallon and 190-gallon (two 95-gallon containers) waste service levels are slightly higher than the equivalent commercial costs-of-service, which is appropriate and proportionate. This is because residential customers receive more services and benefits as part of their rate package that aren’t offered to commercial customers.

Commercial rates are also proportional in cost-of-service in that there is a flat ratio applied to all rate types that depends on frequency of pickups and container size, including for larger “bulk” solid waste subscription levels, which are collected in large bins measured in cubic yards. As with the per-gallon costs-of-service for refuse collected in cart containers (and for the same reasons) the per-gallon cost-of-service for those subscribed to the larger container sizes (and higher collection frequencies) is proportional to frequency of pickups and container size.

For example, the base bundled cart rate for commercial customers “Autocan flat rate” is \$36.05, same as for residential collection; however, additional 95-gallon containers for commercial customers are the same cost. Similarly, for commercial frontloader cardboard service, it costs \$78.70 for a 4-yard container to be collected once a week or twice the cost (\$157.40) to be collected twice a week; similarly, it costs \$157.40 for an 8-yard container to be collected once a week.

Here again, the costs-of-service for these refuse container sizes and collection frequencies are fair and proportionate in that they take into account the fixed and variable costs associated with the waste services provided. Overall, and given the analysis expressed above, we find that the City’s solid waste rate structure – and the proposed waste services rates – fairly and proportionately allocate the costs-of-service between service levels and customer types. The costs-of-service are higher for those customers with a greater proportion of fixed to variable costs and higher levels of other services provided, and lower for those customers with a less proportion of fixed to variable costs and lower levels of other services provided.

## Recommended Rate Adjustments

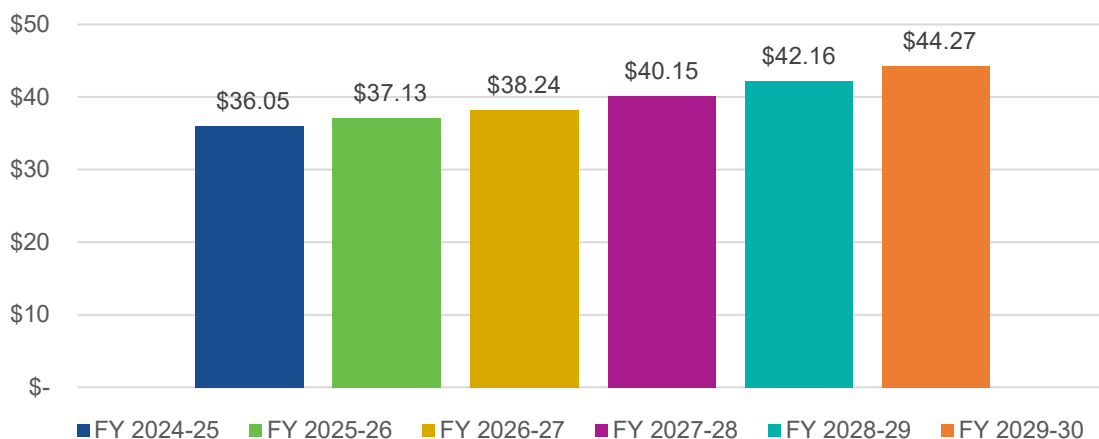
### Residential Rates

The City’s residential rates are based on refuse container size (95-gallon refuse carts) but cover the cost of all service provided to residential customers. The “bundled” service package includes weekly collection of refuse and green waste, as well as access to periodic recycling events and other City services. **Table 2** and **Chart 5**, below, show the recommended residential 95-gallon rates for Scenario 1 (no residential bulky item pickup service added). It should be noted that residential customers may downsize to a 65-gallon refuse container for the same cost as the 95-gallon default container.

**Table 2: Recommended Residential 95-Gal Refuse Rates (Scenario 1)**

| Current FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|--------------------|------------|------------|------------|------------|------------|
| \$36.05            | \$37.13    | \$38.24    | \$40.15    | \$42.16    | \$44.27    |

**Chart 5: Recommended Residential Refuse Rates (Scenario 1)**

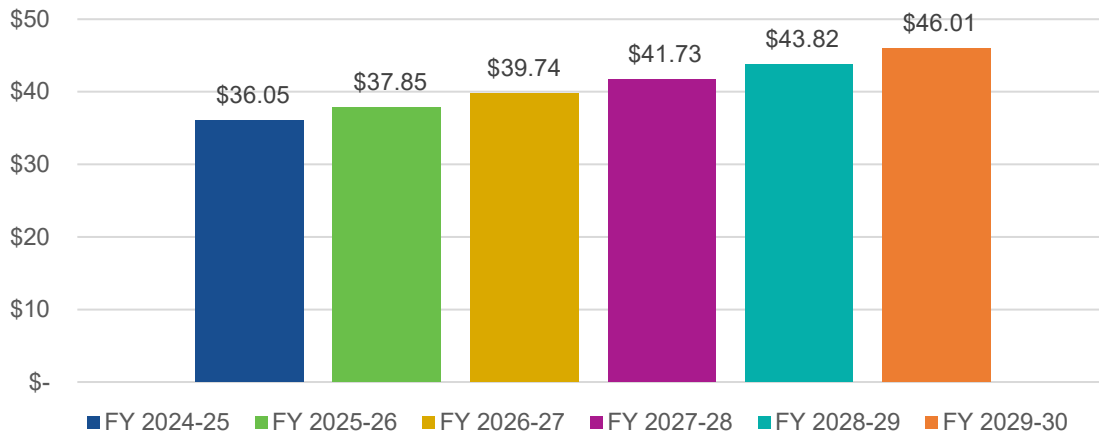


**Table 3** and **Chart 6**, on the following page, show the recommended 95-gallon residential rates if a bulky item pickup service is added, with up to two pickups annually included in the residential rates (Scenario 2).

**Table 3: Recommended Residential 95-Gal Refuse Rates (Scenario 2)**

| Current FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|--------------------|------------|------------|------------|------------|------------|
| \$36.05            | \$37.85    | \$39.74    | \$41.73    | \$43.82    | \$46.01    |

**Chart 6: Recommended Residential Refuse Rates (Scenario 2)**



## Commercial and Industrial Rates

Like residential rates, the City’s commercial and industrial rates are based on refuse container size and cover the cost providing collection of refuse and recycling. Customers can choose from a variety of subscription levels and sizes, as shown in **Attachment 1**. The tables and charts below show examples of common commercial subscription types for Scenario 1 (no residential bulky item pickups). Rate adjustments would vary slightly in Scenario 2 (residential bulky item pickups) that would have insubstantial changes to the rates. See **Attachment 1** for both Scenarios 1 and 2.

**Table 4: Recommended Commercial Rates for Autocan Flat Rate (per unit)**

| Current FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|--------------------|------------|------------|------------|------------|------------|
| \$36.05            | \$37.13    | \$38.24    | \$40.15    | \$42.16    | \$44.27    |

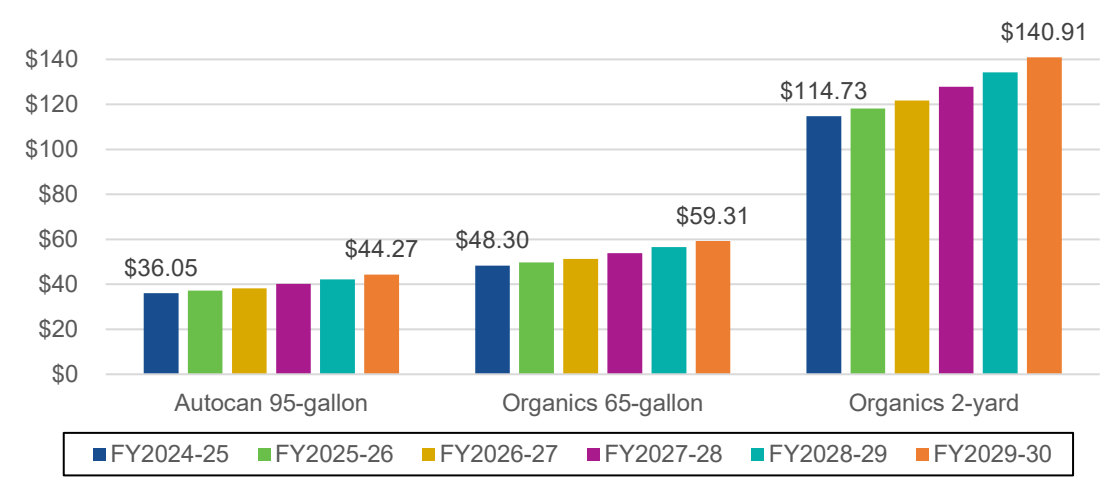
**Table 5: Recommended Commercial Rates for Organics 65-gallon (1x/week)**

| Current FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|--------------------|------------|------------|------------|------------|------------|
| \$48.30            | \$49.75    | \$51.24    | \$53.80    | \$56.49    | \$59.31    |

**Table 6: Recommended Commercial Rates for Organics 2-yard (1x/week)**

| Current FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|--------------------|------------|------------|------------|------------|------------|
| \$114.73           | \$118.17   | \$121.72   | \$127.81   | \$134.20   | \$140.91   |

**Chart 7: Recommended Commercial Refuse Cart Rates (per unit)**



The City requested a new rate option starting FY 2025-26, to allow for Commercial shared rates for non-compactor customers, based on the tiered system currently in place for shared compactor rates. These rates were created using a ratio of frontloader and rearloader non-shared rates to shared compactor rates. Table 7 below shows the Commercial “Designated Collection Service” projected rates based on the FY 2024-25 current rates.

**Table 7: Recommended Commercial Rates for City Designated Shared Services (Tier 1 Minimum)**

| Current FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|--------------------|------------|------------|------------|------------|------------|
| \$40.42            | \$41.63    | \$42.88    | \$45.02    | \$47.27    | \$49.63    |

### New Rate Options for Commercial Customers

The City requested an analysis of rate options for certain commercial and industrial waste services. These include the push/pull fee (monthly), locking fee (monthly), and equipment replacement/repair fees (flat fee for bin replacement).

For the push/pull fee, R3 developed a rate option based on distance. For the locking fee, R3 developed a rate option administered per incident, such that if a customer is serviced three times a week they would be charged for each individual occurrence, instead of a flat fee once a month. Finally, for the equipment replacement/repair fee, currently the City has in place a flat fee of \$112 for FY 2024-25 for bin replacement of the autocan flat rate 95-gallon refuse containers (or other 95-gallon containers for recycling or organics).

The City wishes to implement an equipment replacement/repair fee for larger container sizes and types for damages outside of normal wear and tear. However, due to the variety of container sizes, types, and brands in use at any given time, it is not feasible to project such costs for equipment replacement and/or repairs that may be needed in the future. Therefore, R3 recommends that the City simply implements a line item on the master rate sheet for equipment replacement or repair (outside normal wear and tear) to be “At Cost”, determined at the time replacement or repair is needed, which is an allowable means of fee setting for this type of property.

Via the market rate survey conducted for this Study, a wide range of fee options were identified for locking fees and push/pull fees. For locking fees specifically, R3 suggests a “per use” fee as a potential alternative to the current structure, so that its locking fee is applied per number of weekly pickups rather than a flat monthly fee. The City can consider using its current monthly fee of \$14, which is roughly

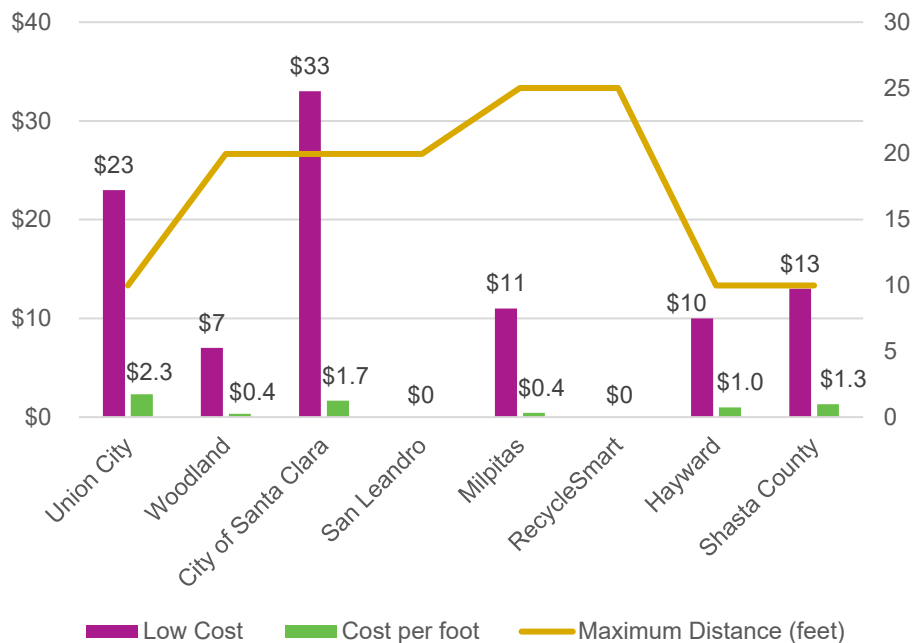
average for what other jurisdictions charge for per use locking fees (\$7-\$20). The City may also wish to reduce the current fee in order to mitigate the impact to commercial customers. The range of costs for locking fees per pickup are shown in Table 8 below.

**Table 8: Monthly Locking Fee Costs Per Pickup**

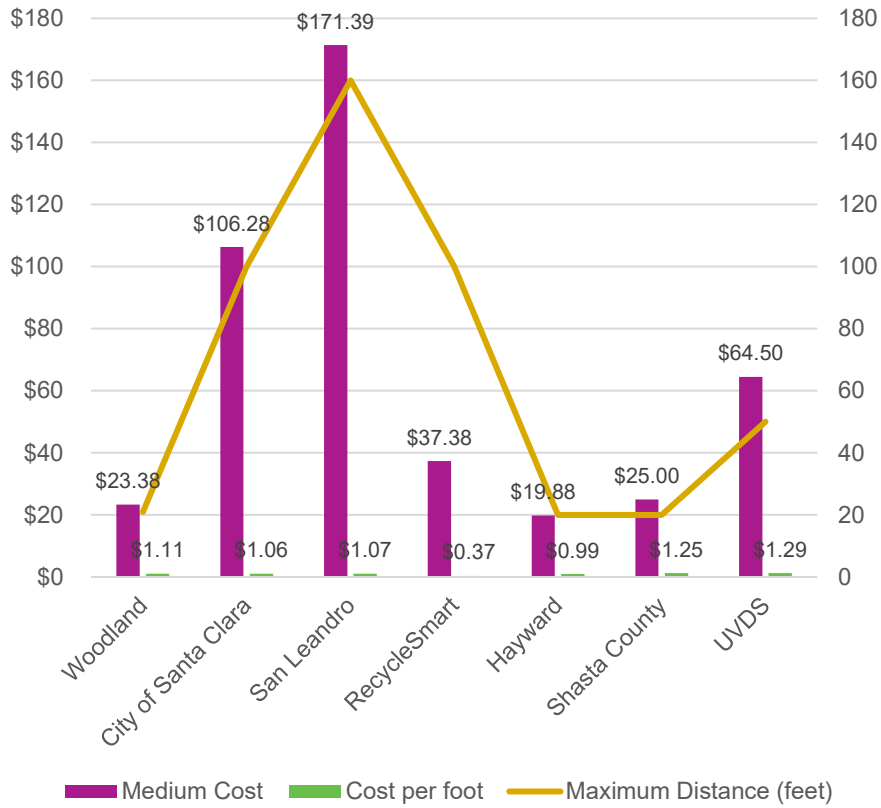
| Weekly # Pickups             | 1 Pickup  | 2 Pickup  | 3 Pickup   | 4 Pickup   | 5 Pickup   | 6 Pickup   | 7 Pickup   | Extra Pickup |
|------------------------------|-----------|-----------|------------|------------|------------|------------|------------|--------------|
| Monthly Avg. # Total Pickups | 4 Pickups | 8 Pickups | 12 Pickups | 16 Pickups | 20 Pickups | 24 Pickups | 28 Pickups | -            |
| <b>Average Cost</b>          | \$56      | \$113     | \$169      | \$226      | \$282      | \$338      | \$395      | \$14 each    |
| <b>Low Cost</b>              | \$28      | \$56      | \$84       | \$112      | \$140      | \$168      | \$196      | \$7 each     |
| <b>High Cost</b>             | \$80      | \$160     | \$240      | \$320      | \$400      | \$480      | \$560      | \$20 each    |

For push/pull fees specifically based on distance, costs ranged widely from \$4.57 for 0-50 feet and \$6.20 for 51+ feet, up to \$528.30 for distances of 176-200 feet picked up 6 times a week. Several jurisdictions offer free push/pull service for distances of 0-10 or 0-20 feet. Some of the surveyed push/pull rates are illustrated in **Charts 8, 9, and 10**, below and on the following pages. It should be noted that frequency of pickup varies for each of these rates as some are weekly, monthly, or per pickup rates, so these charts are not a thorough analysis of cost per foot for push/pull distance based fees. However, they can help establish a baseline for the City to consider some average rates. Averages for low cost/distance, medium cost/distance, and high cost/distance are shown in **Table 9**, on page 16.

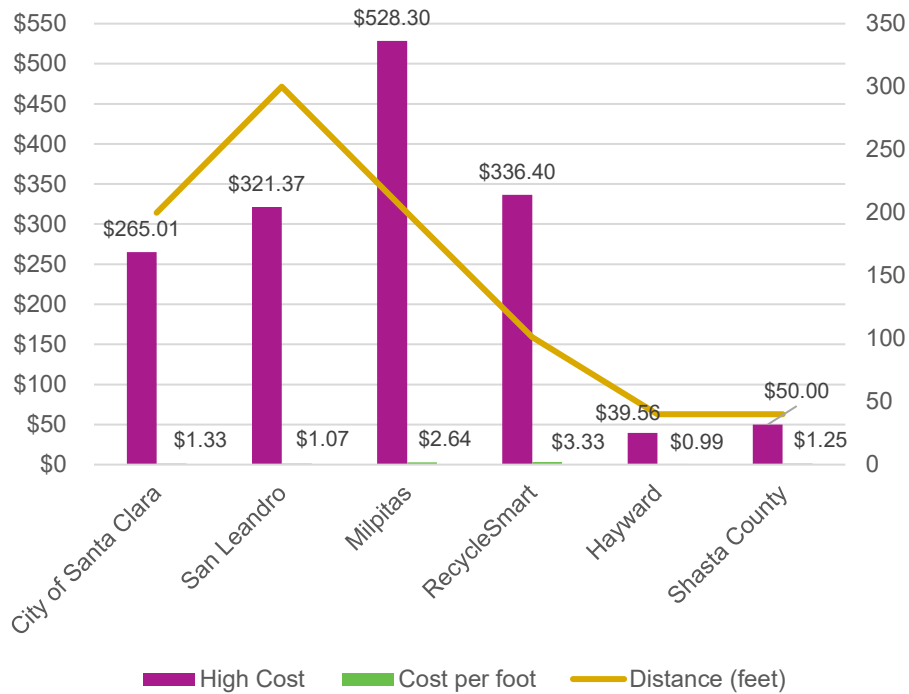
**Chart 8: Push/Pull Fees by Low Cost & Distance**



**Chart 9: Push/Pull Fees by Medium Cost & Distance**



**Chart 10: Push/Pull Fees by High Cost & Distance**



**Table 9: Average Push Pull Fees by Cost & Distance**

| Cost Range             | Distance (feet) | Cost per Foot | Total Cost |
|------------------------|-----------------|---------------|------------|
| Low Cost & Distance    | 0-20            | \$0.88        | \$18       |
| Medium Cost & Distance | 21-75           | \$1.02        | \$77       |
| High Cost & Distance   | 76-150          | \$1.8         | \$265      |

In **Table 9**, above, distance by feet has been rounded for simplicity. R3 presents the average costs by distance in Table 9 as an option for consideration. Application frequency (per pickup, week, or month) remains at the City’s discretion. As an average measure, R3 recommends that the City consider using push/pull fees on a weekly basis rather than per-pickup and additionally charge the fee per individual bin/cart that requires push/pull service. The costs for weekly charges would depend on the distance, but for example, if the City charges its existing push/pull fee of \$21.15 for the shortest distance and a customer had two containers that need push/pull service, that would cost  $\$21.15 \times 2 = \$42.30/\text{week}$ ,  $\times 4 \text{ weeks/month} = \$169.20 \text{ total per month}$ , regardless of how many pickups per week the customer needs.

The City may choose to simplify the push-pull fee system by changing its existing push-pull fee of \$21.15 monthly, to \$21.15 per pickup, rather than adopting a distance based fee. This would create a similar fee structure to the locking fee options discussed above, where if a customer has 1 container  $\times$  1 pickup/week,  $\times 4 \text{ weeks/month}$ , they would pay a total of \$84.60/month. Further analysis could help identify the true cost per foot other jurisdictions are charging based on whether the charge is per pickup, per week, or per month, as well as whether the charge is multiplied by the number of individual containers. Finally, the City may also choose to continue using its current push/pull rate of \$21.15 for the shortest distance range it selects for push/pull fees, and/or assess the most commonly used distances and frequency of use for existing push/pull customers in the City in order to customize the distance ranges, frequencies, and rates more appropriately for its customers’ needs.