



Solid Waste Rate & Feasibility Study

Town Hall Meeting

Tuesday, February 26, 2019

Overview of Solid Waste Rate Study

❖ Solid Waste Rates

- Rate History
- Why is a rate increase needed?

❖ Rate & Feasibility Study

- Rate Study Methodology & Objectives
- Breakdown of costs to CR&R
- Understanding Basic Level of Service & Additional Waste Diversion Programs

❖ Recommended Option

❖ Rate Alternatives Evaluated

Rate History

- ❖ The last rate increase was 15 years ago
- ❖ Decrease in 2012
- ❖ Decrease in 2013

Rates Over The Last 15 Years



Why We Need A Rate Increase

- ❖ It is a District goal to have at least 2 million dollars in reserves
 - Property taxes are paid twice a year which is how the District receives its revenue
 - The 2 million in reserves help pay invoices during the months no money is received (June-October)
 - If reserve levels fall below 2 million, CMSD cannot pay the bills
- ❖ Organics Program
 - CMSD has been subsidizing organic program costs with its reserves
 - In 2014, residents were advised to expect at least a \$2 monthly increase to cover program costs
- ❖ Hauler CPI Increase
 - Per the new contract with CR&R, the hauler is expected to submit annual CPI increase requests
 - Increases are not automatic, CR&R must go to the Board of Directors for approval

Rate & Feasibility Study

❖ The Districts three objectives were:

1. Eliminating the annual deficit and ensuring compliance with CMSD Code
2. Ensuring rates are enough to cover operating costs
3. Evaluate rates based on cart size

❖ Cost-of-Service Analysis

1 FINANCIAL PLAN/ REVENUE REQUIREMENTS

**Step 1: Financial Plan/
Revenue Requirements –**
Compares current sources and uses of funds and determines the revenue needed from rates and project rate adjustments.

2 COST-OF-SERVICE ANALYSIS

Step 2: Cost-of-Service Analysis
– Proportionately allocates the revenue requirements to the customer classes in compliance with industry standards and State Law.

3 RATE DESIGN ANALYSIS

Step 3: Rate Design - Considers what rate structure will best meet the District's need to collect rate revenue from each customer class.

CR&R Monthly Payments

❖ Occupancy

- Monthly payment of \$9.7954 per unit
- Cost of stopping at each household and servicing the carts

❖ Mixed Waste Tonnage

- \$51.97 per ton of mixed waste trash collected
- Costs for separating recyclables and landfilling trash

❖ Organic Tonnage

- \$71.50 per ton of organic waste collected
- Costs for recycling organic waste at CR&R's Anaerobic Digestion Facility in Perris, CA
- Guaranteed lowest price

❖ CR&R has not had an overall rate increase in over 10 years

Current Service

- ❖ Basic Service includes two (2) Mixed Waste Carts and up to (2) Organic Carts for \$216 a year.
 - Cart Size Options: 65 and 35-gallon carts
 - 90-gallon carts are grandfathered in



Other Waste Diversion Programs – At No Additional Cost

- ❖ Large Item Pickup
- ❖ Door-to-Door Household Hazardous Waste
- ❖ Sharps Collection Dropbox
- ❖ Pharmaceutical Waste Collection Dropbox
- ❖ Light bulb, Light tubes and alkaline battery collection program at OCC Recycling Center
- ❖ Fats, Oil and Grease Collection at OCC Recycling Center
- ❖ American Flag Retirement Dropbox
- ❖ Annual Alkaline Battery Collection Contest for schools within District Boundaries
- ❖ Annual Free Mulch Giveaway
- ❖ Annual Textile Collection Event

Recommended Option

❖ One-Time Rate Increase in July 2019

- One rate increase of 10.83%. This option gives District staff time to evaluate the feasibility of collecting cart size data and making changes to the District's billing software to enable the implementation of rates based on cart size.

❖ Monthly increase of \$1.95 per unit = \$19.95 (2005-2011 Rate)

❖ Annual increase of \$23.40 per unit = \$239.40 (2005-2011 Rate)

Service Type	Current Rates	Proposed Rates				
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Annual Rates						
Flat Rate	\$216.00	\$239.40	\$239.40	?	?	?
Monthly Rates						
Flat Rate	\$18.00	\$19.95	\$19.95	?	?	?

Recommended Option

- ❖ If the recommended option is implemented, CMSD will still be operating at a deficit, but this \$23.40 annual increase will keep the District from falling below the \$2 million reserve level
 - Rate increase will bring \$679,836 in additional revenue needed

RATE REVENUE REQUIREMENTS SUMMARY	Actual	Estimated	Projected				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Sources of Solid Waste Funds							
Rate Revenue	4,778,520	4,855,596	4,879,874	4,904,273	4,928,795	4,953,439	4,978,206
<i>Sub-Total Rate Revenues:</i>	\$ 4,778,520	\$ 4,855,596	\$ 4,879,874	\$ 4,904,273	\$ 4,928,795	\$ 4,953,439	\$ 4,978,206
Non-Rate Revenue							
Other Revenue	321,845	328,282	190,450	191,402	192,359	193,321	194,288
Interest Income	77,901	87,108	77,156	63,091	44,195	21,563	(5,016)
Tax Income	313,456	319,725	325,994	332,386	338,903	345,548	352,324
<i>Sub-Total Non-Rate Revenue</i>	\$ 713,202	\$ 735,115	\$ 593,600	\$ 586,879	\$ 575,457	\$ 560,432	\$ 541,595
Total Solid Waste Revenues	\$ 5,491,722	\$ 5,590,711	\$ 5,473,474	\$ 5,491,153	\$ 5,504,252	\$ 5,513,871	\$ 5,519,801
Uses of Solid Waste Funds							
Operating Expenses:							
Salaries and Benefits	\$ 473,224	\$ 523,800	\$ 551,946	\$ 581,675	\$ 613,083	\$ 646,270	\$ 681,345
CR&R Services - Trash Hauler	2,650,214	2,672,685	2,768,902	2,796,591	2,897,268	2,926,241	3,031,586
CR&R Services - Recycling/Disposal	1,724,459	1,709,116	1,760,389	1,813,201	1,867,597	1,923,625	1,981,334
CR&R Services - Organics Disposal	643,998	675,050	708,803	744,243	781,455	820,528	861,554
Operations and Maintenance	349,954	418,000	431,997	452,741	474,520	497,385	521,390
Programs	134,014	155,500	163,275	171,439	180,011	189,011	198,462
<i>Total Solid Waste Operating Expenses</i>	\$ 5,975,863	\$ 6,154,151	\$ 6,385,312	\$ 6,559,890	\$ 6,813,934	\$ 7,003,060	\$ 7,275,671
Annual Surplus/(Deficit) without rate increase	\$ (484,141)	\$ (563,440)	\$ (911,838)	\$ (1,068,738)	\$ (1,309,682)	\$ (1,489,189)	\$ (1,755,870)
Net Revenue Req't. <i>(Total Uses less Non-Rate Rev.)</i>	\$ 5,262,661	\$ 5,419,036	\$ 5,791,712	\$ 5,973,011	\$ 6,238,476	\$ 6,442,628	\$ 6,734,076
Total Rate Revenue After Rate Increases	\$ 4,778,520	\$ 4,855,596	\$ 5,559,710	\$ 5,587,508	\$ 5,615,446	\$ 5,643,523	\$ 5,671,741
Annual Surplus/(Deficit) with rate increases	\$ (484,141)	\$ (563,440)	\$ (232,002)	\$ (385,503)	\$ (623,030)	\$ (799,105)	\$ (1,062,335)
<i>Additional Revenue from Rate Increases</i>			\$679,836	\$683,235	\$686,651	\$690,084	\$693,535

Alternative Option – Flat Rate for all Cart Sizes

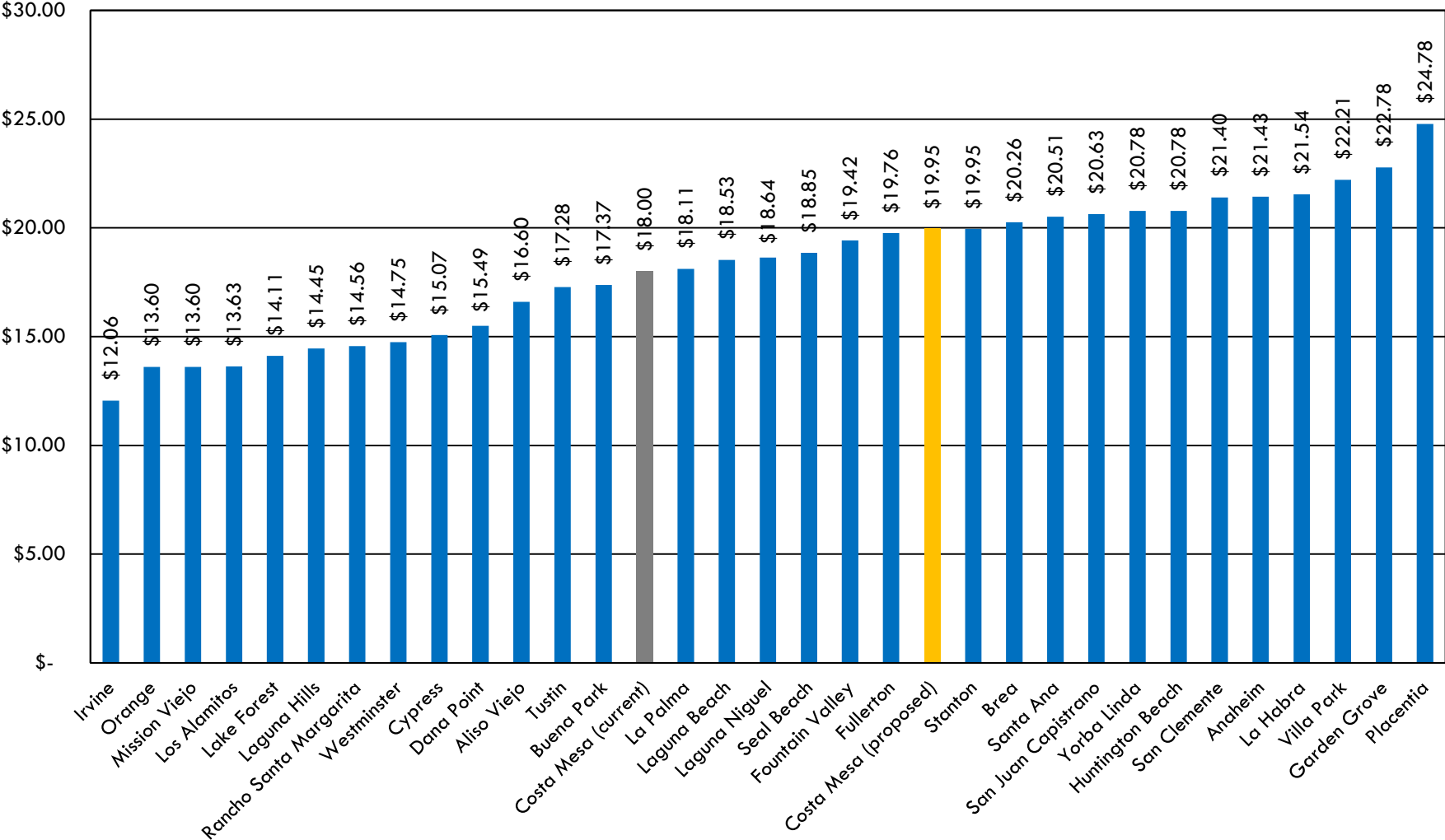
❖ Eliminate the Deficit in Five Years

- Seven-percent (7%) annual rate increases for the next three fiscal years followed by six-percent (6%) annual rate increases for the following two years
 - Total flat rate increase of \$73.23 over five years (33%)

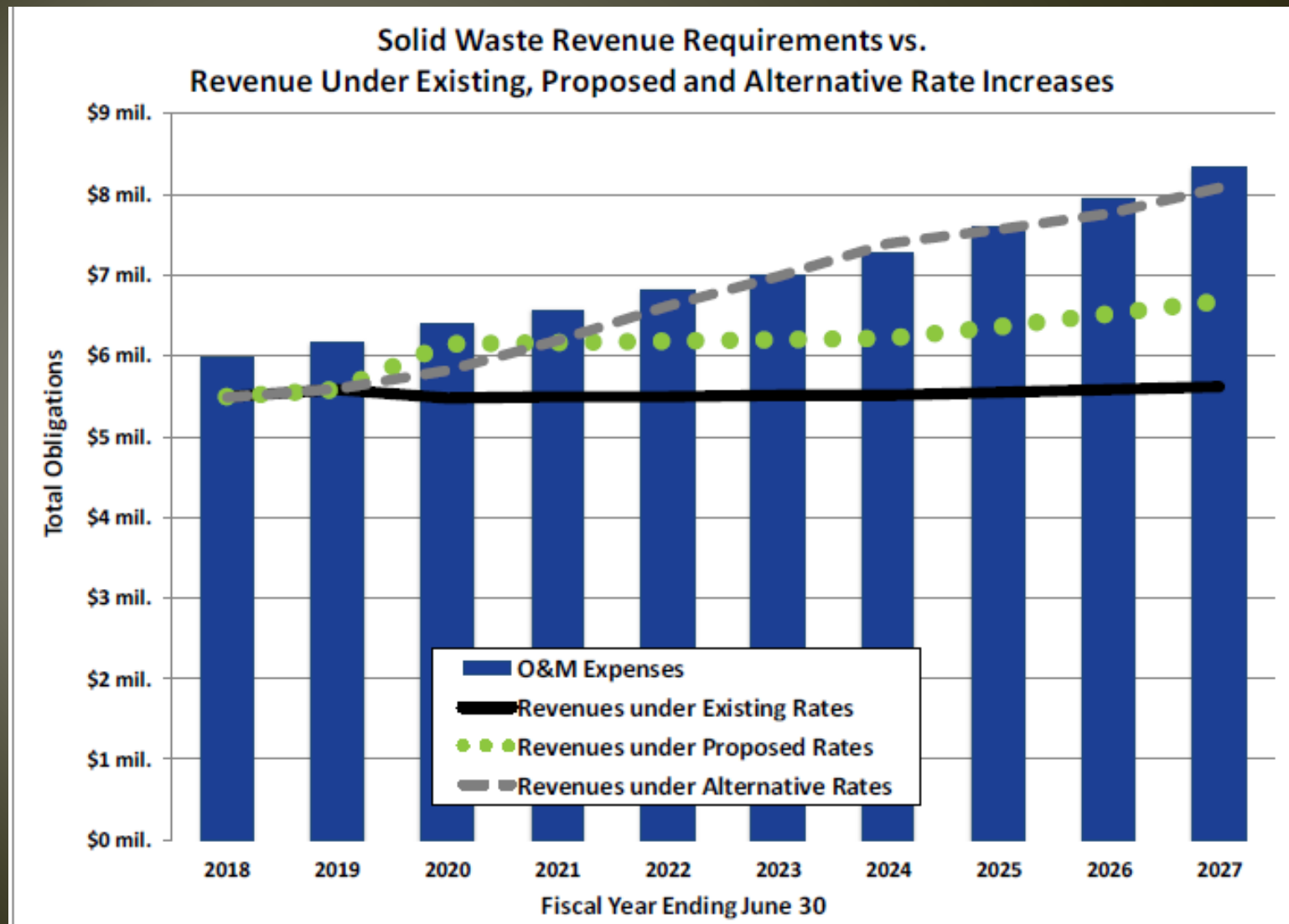
Service Type	Current Rates	Alternative Rates				
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Annual Increases	0.00%	7.00%	7.00%	7.00%	6.00%	6.00%
Annual Rates						
Flat Rate	\$216.00	\$224.88	\$240.60	\$257.40	\$272.88	\$289.20
Monthly Rates						
Flat Rate	\$18.00	\$18.74	\$20.05	\$21.45	\$22.74	\$24.10

Rate Comparison with other Cities

Orange County Residential Trash Rates



Comparison of Revenue Requirements



Citizens Advisory Committee

- On February 13, 2019 the Citizens Advisory Committee recommended alternative option 2 for adoption
 - They believe there are too many unknowns with option 1
 - Option 2 saves the District about \$140,000

Service Type	Current Rates	Alternative Rates				
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Annual Increases	0.00%	7.00%	7.00%	7.00%	6.00%	6.00%
Annual Rates						
Flat Rate	\$216.00	\$224.88	\$240.60	\$257.40	\$272.88	\$289.20
Monthly Rates						
Flat Rate	\$18.00	\$18.74	\$20.05	\$21.45	\$22.74	\$24.10

Upcoming Public Meetings

- ❖ **March 12, 2019 at 9:30 AM – Board of Directors Study Session**
 - District staff shares the Citizens Advisory Committee's recommendation, along with public comments, and seeks the Board's direction on which rate adjustment is preferred
- ❖ **May 23, 2019 at 5:30 PM – Board of Directors Meeting**
 - Public Hearing for the solid waste rate adjustment – final decision on rates

Questions?