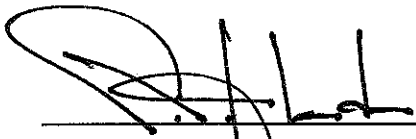


To: The Honorable Mayor and Members of the City Council

From: Charles D. Herbertson, Public Works Director and City Engineer

**AMENDED CITY ENGINEER'S REPORT FOR REFUSE AND RECYCLING USER'S SERVICES CHARGES
BEGINNING FISCAL YEAR 2017 -2018 THROUHG FISCAL YEAR 2019 – 2020**

 5/23/2017

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Public Works Director and City Engineer



PURPOSE

The purpose of this transmittal is to summarize the utility's amended findings of the Refuse Rate Study that NBS performed for Culver City's Refuse Utility (City or Utility). NBS' findings focus on: (1) equitably allocating utility costs to the various customer classes and types of services, (2) adjusting various charges and rates in a manner that meets Prop 218 requirements, and (3) provides a plan that is financially sustainable.

Projected Utility revenue requirements and rate adjustments cover the next three fiscal years (2017/2018 through 2019/2020). Recommended rate adjustments for FY 2017/2018 through FY 2019/2020 retain the City's current rate structure. Newer objectives also included in this amended report more accurately reflect actual operational and disposal costs.

OVERVIEW

A comprehensive refuse rate study typically includes the following three components based on general utility industry standard cost of service methodologies: (1) Financial Plan/Revenue Requirements, (2) Cost of Service Analysis, (3) Rate Design Analysis.

FINANCIAL PLAN AND REVENUE REQUIREMENTS ANALYSIS

Projected Revenue Requirements and Rate Increases – In FY 2014 – 2015, NBS prepared a detailed five year financial plan indicating that the Utility would need at least a three percent rate increase in each of the next five years (2015/16 through 2019/20). However, this plan did not fully fund capital improvements at the transfer station, was developed prior to the enactment of AB 1826 and was developed prior to the increased PERS payment adjustments requirements for municipalities. Table 1 shows a detailed financial plan through FY 2019/20 indicating that the Utility would need at least a seven percent increase in each of the next three years.

Table 1: Three Year Revenue Requirements and Rate Increases

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		Projected	
	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Sources of Refuse Utility Funds				
Rate Revenue Under Prevailing Rates	\$11,488,466	\$11,488,466	11,488,466	11,488,466
Interest Earnings (from Reserves)	114,231	114,231	114,231	114,231
Other Non-Rate Revenues & Grants	933,678	933,678	933,678	933,678
Total Sources of Funds	\$12,536,375	\$12,536,375	\$12,536,375	\$12,536,375
Uses of Refuse Utility Funds				
Refuse Collection - Personnel Services	\$4,269,425	4,562,060	\$4,609,334	\$4,787,494
" " - Maint. & Oper	\$4,311,135	5,496,530	5,346,335	5,505,727
" " - Capital Outlay				
<i>Subtotal: Refuse Collection</i>	\$8,580,560	\$10,058,590	\$9,955,669	\$10,293,221
Transfer Station - Personnel Services	\$909,711	934,708	\$962,749	\$991,635
" " - Maint. & Oper	3,838,653	3,812,031	3,514,391	3,619,823
" " - Debt services	170,295	101,900	104,958	108,105
<i>Subtotal: Transfer Station</i>	\$4,918,659	\$4,848,639	\$4,582,098	\$4,719,563
Recycling - Personnel Services	\$234,432	241,358	248,599	\$256,587
" " - Maint. & Oper.	15,248	52,735	54,317	55,416
<i>Subtotal: Recycling</i>	\$249,680	\$294,093	\$302,916	\$312,033
<i>Total Uses of Refuse Disposal Funds</i>	\$13,748,899	\$15,201,322	\$14,840,683	\$15,324,817
Surplus (Deficiency) before Rate Increase	(1,212,524)	(2,664,947)	(2,304,308)	(2,788,442)
<i>Additional Revenue from Rate Increases</i>		877,546	938,974	1,004,702
<i>Total Rate Revenue – Including Rate Increases</i>		\$13,413,921	\$14,352,895	\$15,357,597
Surplus (Deficiency) after Rate Increase	(\$1,212,524)	(\$1,787,401)	(\$487,788)	\$32,780
Projected Annual Rate Increase	0.00%	7.00%	7.00%	7.00%

Cash Management and Target Reserve Fund Balances - The Utility is projected to begin Fiscal Year 2017/18 with a total cash balance of \$ 3,108,492. Table 2 summarizes the cash balances for the operating and reserve funds. The reserve was drawn down in FY 2016/2017 due to transfer station improvements, AB 1826 requirement costs, purchase of a hoist for fleet maintenance refuse vehicle repair operations and purchase of a Caterpillar loader for the transfer station.

Table 2 Summary of Projected Three Year Reserves

SUMMARY OF RESERVE FUNDS	Estimate	Projected		
	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Total Beginning Cash (1)	\$3,108,492	\$1,895,968	\$108,567	(379,221)
Operating Reserve				
Beginning Reserve Balance (2)	\$3,108,492	\$1,895,968	\$ 108,567	(379,221)
Plus: Net Cash Flow				
(After Rate Increases)	(1,212,524)	(1,787,401)	(487,788)	\$ 32,780
Less: Transfer Out to Capital				
Replacement Reserve	0	0		0

Cost of Service Analysis – The purpose of the cost of service analysis is to equitably allocate the refuse utility costs, or the net revenue required from refuse rates, to each customer class. This means that the City is obligated to fairly allocate refuse program costs to the three customer classes (refuse, commercial and drop-box services). The cost of service analysis includes two primary steps:

1. Classifying various expenditures to one of several types of costs:
 - Collection System related costs
 - Transfer Station related costs
 - Disposal Related Costs
2. Allocating Costs to customer classes based on specific allocation factors:
 - Collection costs are allocated based on a detailed analysis of staffing costs and by subdividing these costs into residential vs: commercial programs. (roll-off/drop box costs are treated as a separate collection program)
 - Transfer station costs are allocated based on total tonnages of materials handled by customer class (residential, commercial, and roll-off/drop box)
 - Disposal costs are allocated based on the tonnages of materials handled at the transfer station.

This analysis produced the cost allocations for each customer class for FY 17/18 as shown in Table 3. Table 3 indicates that \$ 15,201,322 million should be recovered through refuse rates.

Table 3: Revenue Requirements by Customer Class for FY 17/18

Summary of Cost Allocations to Customer Classes				
Cost Categories	Customer Classes			Total
	Residential	Commercial	Drop Box	
Collection Costs	\$ 3,209,331	\$ 5,486,923	\$ 1,656,429	\$ 10,352,683
Transfer Station	\$ 914,078	\$ 1,562,778	\$ 471,783	\$ 2,948,639
Disposal	\$ 589,000	\$ 1,007,000	\$ 304,000	\$ 1,900,000
Total Cost Of Service	\$ 4,712,409	\$ 8,056,701	\$ 2,432,212	\$ 15,201,322
Percent of Total	31%	53%	16%	100%

RATE DESIGN AND PROPOSED RATES

The purpose of the rate design analysis is to determine how to collect rate revenue (as shown in Table 3) from the individual rates for specific services within each customer class. Accurately allocating these amounts of rate revenue improves the overall equity among customer classes. The required rate increase is seven percent per year for the next three fiscal years. Table 4 summarizes the current and proposed FY 2017/2018 through 2019/2020 refuse, recycling and organics collection rates and Table 5 summarizes the rate increase for drop box services.

These rates take into account increased costs for transportation and disposal of refuse; new costs associated with organics programs as required by AB 1826; a decrease in revenue due to lower monetary values of recyclable material; rising CalPers Funding requirements, new recycling programs to meet the 75% diversion goals as enacted by the State of California; and an increase in daily operational costs including vehicle purchases, fuel and equipment maintenance.

Based on the results of this amended report, staff recommends the City take the following actions:

- Adopt this rate analysis for the required three fiscal years FY 2017/2018 through FY 2019/2020 as the basis for adjustments to the City's current refuse rate
- Adopt and implement the proposed refuse rates shown below in Tables 4 and 5. This will necessitate a Prop 218 process to adopt the FY 2017/2018 through FY 2019/2020 rates.

Table 4: CURRENT AND PROPOSED RESIDENTIAL AND COMMERCIAL REFUSE RATES

Proposed Residential and Commercial (Bin) Refuse Service Scheduled Monthly and One-Time Rates					
Customer Class & Level of Service	Current FY 2016/17 Refuse Rates (\$/mo or lift)	Proposed FY 2017/18 Refuse Rates (\$/mo. or lift)	Proposed FY 2018/19 Refuse Rates (\$/mo. or lift)	Proposed FY 2019/20 Refuse Rates (\$/mo. or lift)	% Each Year
Residential Service					
Residential Automated Collections	\$ 31.38/mo	\$ 33.58/mo	\$ 35.93/mo	\$ 38.44/mo	7%
Can Service – Commercial Extra	\$ 28.24/mo	\$30.22/mo	\$ 31.12/mo	\$ 32.06/mo	7%
Auto Can- Refuse	\$ 15.00/mo	\$ 16.05/mo	\$16.53/mo	\$ 17.03/mo	7%
Commercial (Bin) Service					
Scheduled Commercial (Bin) Service					
2-CY Scheduled Refuse (1x/week)	\$ 117.85/mo	\$ 126.10/mo	\$ 134.93/mo	\$ 144.37/mo	7%
3-CY Scheduled Refuse (1x/week)	\$144.79/mo	\$ 154.93/mo	\$ 165.77/mo	\$ 177.87/mo	7%
300g Schedule Refuse (1x/week)	\$144.79/mo	\$ 154.93/mo	\$ 165.77/mo	\$ 177.87/mo	7%
Unscheduled/One-Time/On-Call Commercial (Bin) Service					
2-CY Call/Extra Pickup-Refuse	\$ 28.69/lift	\$ 30.70/lift	\$ 32.85/lift	\$ 35.15/lift	7%
3-CY Call/Extra Pickup-Refuse	\$ 43.05/lift	\$ 46.07/lift	\$ 49.29/lift	\$ 52.74/lift	7%
2-CY Collection (On-call residential)	\$ 28.69/lift	\$ 30.70/lift	\$ 32.85/lift	\$ 35.15/lift	7%
3-CY Collection Trash (residential)	\$ 43.05/lift	\$ 46.07/lift	\$ 49.29/lift	\$ 52.74/lift	7%
Organics Commercial (Bin) Service					
2-CY Scheduled Organics	\$ 69.26/mo	\$ 74.11/mo	\$ 79.30/mo	\$ 84.85/mo	7%
3-CY Scheduled Organics	\$ 73.10/mo	\$ 78.22/mo	\$ 83.69/mo	\$ 89.55/mo	7%
2-Cy Call Organics	\$ 15.02/lift	\$ 16.07/lift	\$ 17.20/lift	\$ 18.40/lift	7%
3-CY Call Organics	\$ 17.05/lift	\$ 18.24/lift	\$ 19.52/lift	\$ 20.89/lift	7%
Recycling Commercial (Bin) Service					
Can Service - Recycle	\$ 12.56/lift	\$ 13.44/lift	\$ 14.38/lift	\$ 15.39/lift	7%
2-CY Scheduled Recycle	\$ 28.94/mo	\$ 30.97/mo	\$ 33.13/mo	\$ 35.45/mo	7%
3-CY Scheduled Recycle	\$ 30.67/mo	\$ 32.82/mo	\$ 35.12/mo	\$ 37.58/mo	7%
2-CY Call Recycle	\$ 6.61/lift	\$ 7.08/lift	\$ 7.57/lift	\$ 8.10/lift	7%
3-CY Call Recycle	\$ 7.17/lift	\$ 7.67/lift	\$ 8.21/lift	\$ 8.78/lift	7%
Waste -to- Energy Commercial (Bin) Service					
3-CY Scheduled Waste-to-Energy	\$ 155.00/mo	\$ 165.85/mo	\$ 177.46/mo	\$ 189.88/mo	7%
2-CY Call Waste-to-Energy	\$ 30.82/lift	\$ 32.98/lift	\$ 35.29/lift	\$ 37.76/lift	7%
3-CY Call Waste-to-Energy	\$ 46.25/lift	\$ 49.49/lift	\$ 52.95/lift	\$ 56.66/lift	7%
Miscellaneous Services					
Bin Rental - 2 & 3 CY Bins	\$ 48.00/mo	\$ 51.36/mo	\$ 54.96/mo	\$ 58.80/mo	7%
Bin Pull- out Scheduled	\$ 32.72/mo	\$ 35.01/mo	\$ 37.46/mo	\$ 40.08/mo	7%
Bin Pull-out On-Call	\$ 6.88/bin	\$ 7.36/bin	\$ 7.88/bin	\$ 8.43/bin	7%
Bulk Pick-up	\$ 42.36/bin	\$ 45.33/bin	\$ 48.50/bin	\$ 51.89/bin	7%
Bulk Pick-up Additional	\$ 21.18/bin	\$ 22.66/bin	\$ 24.25/bin	\$ 25.95/bin	7%
Bin Lock Set	\$ 9.91/mo	\$ 10.61/mo	\$ 11.35/mo	\$ 12.14/mo	7%
2-CY Temp Delivery/Removal	\$ 8.58/lift	\$ 9.18/lift	\$ 9.82/lift	\$ 10.51/lift	7%
3-CY Temp Delivery/Removal	\$ 8.58/lift	\$ 9.18/lift	\$ 9.82/lift	\$ 10.51/lift	7%

TABLE 5: CURRENT AND PROPOSED DROP BOX REFUSE RATE

Proposed Drop Box Refuse Service- Scheduled Monthly and One-Time Rates					
Drop Box Service Type	Current FY 2016/2017 Drop Box Rates	Proposed FY 2017/2018 Drop Box Rates	Proposed FY 2018/2019 Drop Box Rates	Proposed FY 2019/2020 Drop Box Rate	% Each Year
Drop Box Collection Only (Empties)					
DB 8-CY Empty	\$ 167.23/empty	\$ 178.94/empty	\$ 191.46/empty	\$ 204.86/empty	7%
DB 30-CY Empty	\$ 167.23/empty	\$ 178.94/empty	\$ 191.46/empty	\$ 204.86/empty	7%
DB 40-CY Empty	\$ 167.23/empty	\$ 178.94/empty	\$ 191.46/empty	\$ 204.86/empty	7%
DB 50 -CY Empty	\$ 167.23/empty	\$ 178.94/empty	\$ 191.46/empty	\$ 204.86/empty	7%
DB Compactor Empty	\$ 167.23/empty	\$ 178.94/empty	\$ 191.46/empty	\$ 204.86/empty	7%
Drop Box Tonnage Only					
Tonnage Refuse	\$ 83.31/ton	\$ 89.14/ton	\$ 95.38/ton	\$ 102.06/ton	7%
Tonnage Metal	\$ 22.17/ton	\$ 23.72/ton	\$ 25.38/ton	\$ 27.16/ton	
Tonnage Asphalt/Concrete	\$ 65.05	\$ 69.60	\$ 74.48	\$ 79.69	7%
Tonnage Wood	\$ 90.91	\$ 97.27	\$ 104.08/ton	\$111.37/ton	7%
Tonnage Other Inert	\$ 65.05	\$ 69.60	\$ 74.48	\$ 79.69	7%
Tonnage Mixed C&D	\$ 90.91	\$ 97.27	\$ 104.08/ton	\$111.37/ton	7%
Tonnage Organics	\$ 70.45/ton	\$ 75.39/ton	\$ 80.67/ton	\$ 86.32/ton	7%
Tonnage Waste-to-Energy	\$ 104.60/ton	\$ 111.93/ton	\$ 119.77/ton	\$ 128.15/ton	7%
Miscellaneous Fees and Charge					
Compactor Restaurants	\$ 151.41/mo	\$ 162.01/mo	\$ 173.36/mo	\$ 185.50/mo	7%
DB Monthly Rental	\$ 147.61/mo	\$ 157.94/mo	\$ 169.00/mo	\$ 180.83/mo	7%
DB Respot	\$ 39.49/empty	\$ 40.11/empty	\$ 42.92/empty	\$ 45.93/empty	7%
Compactor Non Restaurant	\$ 53.56/mo	\$ 57.31/mo	\$ 61.32/mo	\$ 65.61/mo	7%
Communal Compactor Housekeeping	\$ 92.70/mo	\$ 99.19/mo	\$ 106.13/mo	\$ 113.56/mo	7%
Compactor Administrative Fee	\$ 82.40/mo	\$ 88.17/mo	\$ 94.34/mo	\$ 100.94/mo	7%
Additional Penalty Charges (for tonnages exceeding 11 tons)					
Tonnage - Refuse	\$ 124.97/ton	\$ 133.62/ton	\$ 143.08/ton	\$ 153.09/ton	7%
Tonnage - Metal	\$ 33.25/ton	\$ 35.58/ton	\$ 38.07/ton	\$ 40.73/ton	7%
Tonnage - Asphalt	\$ 97.58/ton	\$ 104.41/ton	\$ 111.72/ton	\$ 119.54/ton	7%
Tonnage - Wood	\$ 136.36/ton	\$ 145.91/ton	\$ 156.12/ton	\$ 167.05/ton	7%
Tonnage - Inert	\$ 97.58/ton	\$ 104.41/ton	\$ 111.72/ton	\$ 119.54/ton	7%
Tonnage - Mixed C&D	\$ 136.36/ton	\$ 145.91/ton	\$ 156.12/ton	\$ 167.05/ton	7%
Tonnage - Organics	\$ 105.69/ton	\$ 113.09/ton	\$ 121.00/ton	\$ 129.47/ton	7%
Tonnage - WTE	\$ 156.91/ton	\$ 167.89/ton	\$ 179.65/ton	\$ 192.22/ton	7%