



CITY OF BAKERSFIELD SOLID WASTE RATE STUDY

Budget and Finance Committee Meeting
February 28, 2022





PRESENTATION OUTLINE

- Introduction
- Rate-Making Objectives & Considerations
- Rate Study Process
- Preliminary Results
- Q & A
- Next Steps

RATE-MAKING OBJECTIVES & CONSIDERATIONS

1. Provide revenue sufficiency and financial stability to fund the projected capital and operations and maintenance (O&M) costs of the City's solid waste enterprise
2. Maintain a reasonable reserve balance
 - ❖ Cash-flow while waiting for tax roll revenue from the County
 - ❖ Extraordinary costs
 - ❖ Allows “smoothing-in” of necessary rate increases
3. Five-year planning period

SERVICES PROVIDED

- Solid Waste Division is responsible for:
 - Providing collection of solid waste, recyclable materials, and organic materials from residents and businesses
 - Through City-operated routes or through contracted third parties (e.g., Kern Refuse)
 - Operating the Mt. Vernon Green Waste Recycling, Materials Recycling Facility, and Composting Facility
 - Street sweeping
 - Operating the curbside bulky pickup program
 - Operating the curbside motor oil recycling program

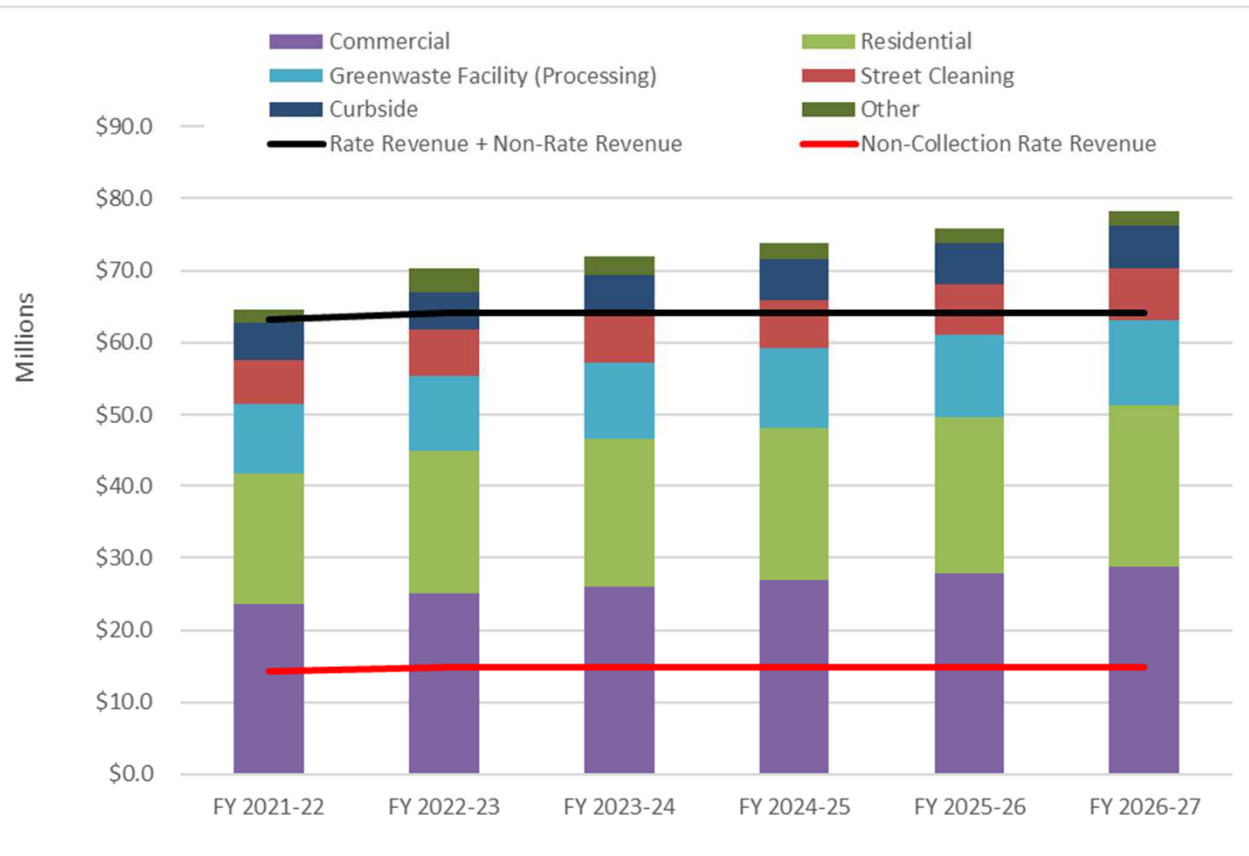
RATES / SERVICES – RESIDENTIAL

- Single-Family Current Annual Charge = \$234.00
 - Last rate adjustment = +5%, \$11.00 per year (eff. July 1, 2021)
- Multi-Family Current Annual Charge = \$210.54 per dwelling unit
 - Last rate adjustment = +5%, \$10.03 per year per unit (eff. July 1, 2021)
- Base Services included in annual charge:
 - Weekly Solid Waste Collection
 - Weekly Organics collection
 - Every-Other-Week Recycling Collection
 - Curbside pickup of two bulky items (e.g., Major appliance, mattress, sofa, water heater) per quarter (for single-family and multi-family customer with 4 dwelling units or less)
 - Curbside pickup of motor oil and oil filter
 - Processing material at Materials Recycling Facility

RATES / SERVICES – COMMERCIAL

- Separate solid waste, recycling, and organics containers
 - Charged separately for each container
 - As of 1/1/2022, businesses must subscribe to all three containers (SB 1383)
- Solid waste container sizes ranging from small cart to 6 cubic yard bins
- Frequency of collection ranges from 1 to 6 times per week
- Last rate adjustment = +5% (eff. July 1, 2021)

REVENUE REQUIREMENT (EXPENSES)



■ ~\$70 million revenue requirement (FY 2022-23)

■ ~9% increase from FY 2021-22

■ ~2.7% annual increases (FY 2023-24 through FY 2026-27)

■ ~\$15 million in non-collection rate revenue (e.g., CalTrans/Kern Cog, County share of Mt. Vernon operations, BARC revenue)

■ Need \$55 million from rate revenue or use of reserves to cover costs

■ Current revenue at Current rates = ~\$49 million

KEY ASSUMPTIONS

- Financial plan started with City's Council-approved FY 2021-22 budget)
- Applied annual inflation/cost adjustment factors for five-year planning period (FY 2022-23 through FY 2026-27)
- New Positions
 - One new Residential driver (in FY 2021-22 approved budget)
 - Administrative Analyst (in FY 2021-22 approved budget)
 - SBI 383 Compliance Inspector (City Council Approval in March)
 - Three new Commercial drivers (one in FY 2021-22 approved budget, one each added to FY 2023-24 and FY 2025-26)
- Inter-fund fleet charge increase for new route vehicles

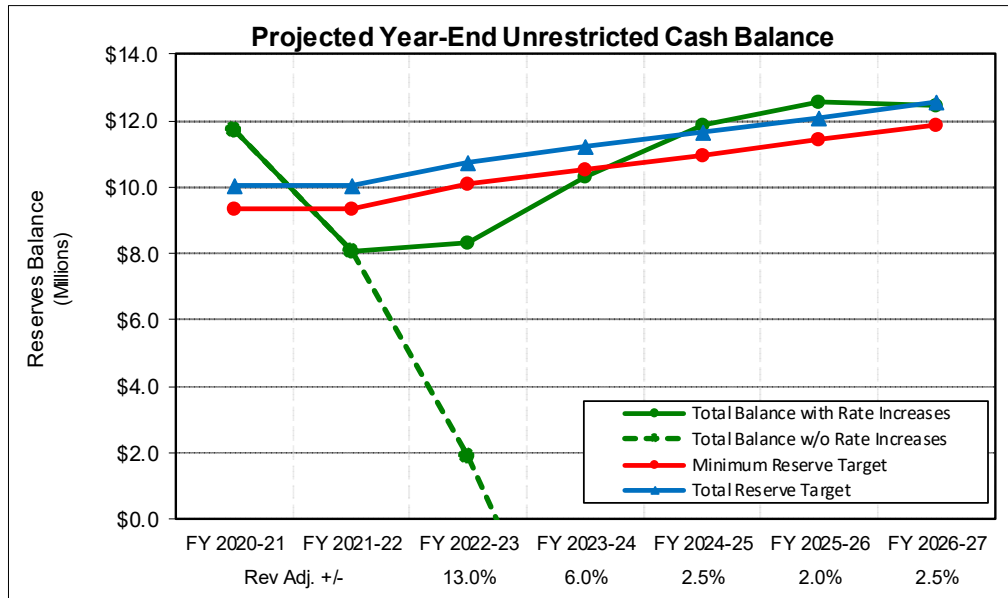
		Budget	Projected				
		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	General Inflation	Budgeted	5.00%	3.00%	3.00%	3.00%	3.00%
2	Salary and Benefits	Budgeted	3.00%	3.00%	3.00%	3.00%	3.00%
3	Operating Budget - Admin	Budgeted	5.00%	3.00%	3.00%	3.00%	3.00%
4	Operating Budget - Street Cleaning	Budgeted	5.00%	3.00%	3.00%	3.00%	3.00%
5	Operating Budget - Residential	Budgeted	6.50%	4.00%	3.00%	3.00%	3.00%
6	Operating Budget - Commercial	Budgeted	6.50%	4.00%	3.00%	3.00%	3.00%
7	Operating Budget - GreenWaste	Budgeted	5.00%	3.00%	3.00%	3.00%	3.00%
8	Operating Budget - Landfill	Budgeted	5.00%	3.00%	3.00%	3.00%	3.00%
9	Operating Budget - Curbside	Budgeted	5.00%	3.00%	3.00%	3.00%	3.00%
10	Intergovernmental	Budgeted	1.75%	1.75%	1.75%	1.75%	1.75%
11	Cal Trans and Kern Cog Payment	Budgeted	0.00%	0.00%	0.00%	0.00%	0.00%
12	Other Revenue	Budgeted	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
13	Interest on Fund Balance	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
14	New Programs Increase - Various	Budgeted	3.00%	3.00%	3.00%	3.00%	3.00%
15	MRF Operating Costs	Budgeted	3.00%	3.00%	3.00%	3.00%	3.00%
16	Workers Comp Premiums	Budgeted	39.00%	5.00%	5.00%	5.00%	5.00%
17	Liability Premiums	Budgeted	104.00%	5.00%	5.00%	5.00%	5.00%
18	Kern Refuse Compensation	Budgeted	7.50%	3.50%	3.50%	3.50%	3.50%
19	Account Growth - Residential	Budgeted	1,200	1,200	1,200	1,200	1,200
20	Commercial Org Self-haul Tip Fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

KEY ASSUMPTIONS – CAPITAL IMPROVEMENTS

	PROJECT CODE	PROJECT NAME	FY22/23	FY23/24	FY24/25	FY25/26	FY26/27
1	NEW CIP	SECURITY FENCING AND LIGHTING		\$ 125,000	\$ 125,000	\$ 125,000	
2	NEW CIP	TRANSFER STATION DESIGN ESTIMATE	\$ 100,000				
3	NEW CIP	EXTEND ELECTRICAL INFRASTRUCTURE	\$ 100,000	\$ 100,000	\$ 100,000		
4	NEW CIP	CONVEYOR SYSTEM DESIGN ESTIMATE	\$ 50,000				
5	NEW CIP	AUTOMATION, MOBILE STACKER		\$ 200,000			
6	NEW CIP	BALED MATERIAL COVERS	\$ 125,000				
7	NEW CIP	LINE UPGRADE	\$ 1,000,000				
8	NEW CIP	CONCRETE DOWN DRAINS	\$ 25,000	\$ 25,000			
9	NEW CIP	MISC DESIGN SERVICES	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
10	P0K237	TRANSFER STATION		\$ 60,000			
11	P0K227	COMPOST SCREENING RESIDUE		\$ 100,000			
12	P1K300	PAINT, CEILING, TILE, CARPET ADMIN BUILDING	\$ 30,000				
13	P8K213	GREENWASTE PAVEMENT REPAIR	\$ 50,000				
14	P9K200	COMPOST AUTOMATION PROJECT	\$ 250,000	\$ 250,000	\$ 250,000		
	TOTALS		\$ 1,780,000	\$ 910,000	\$ 525,000	\$ 175,000	\$ 50,000

5-YEAR REVENUE RATE INCREASE SUMMARY – OPTION #1

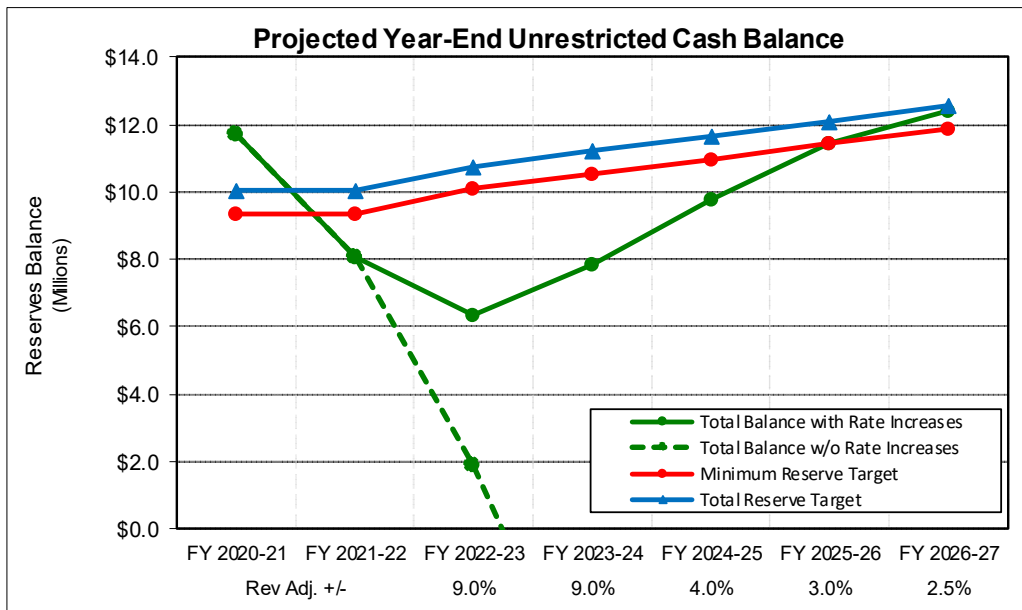
Fiscal year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Eff. Date		7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
Overall Rate Revenue Increase		13.0%	6.0%	2.5%	2.0%	2.5%
Single Family Rate (per year)	\$234.00	\$264.42	\$280.29	\$287.29	\$293.04	\$300.36
Annual Increase		\$30.42	\$15.87	\$7.01	\$5.75	\$7.33
Monthly Increase		\$2.54	\$1.32	\$0.58	\$0.48	\$0.61



- Add to reserves each year to reach minimum and total targets as soon as reasonable
- Minimum Target = Operating Reserves = 3 mos. of Tax Roll revenue + 1.5 mos. of monthly bill revenue
- Target Reserve Target = Operating Reserves PLUS one-year average annual capital

5-YEAR REVENUE RATE INCREASE SUMMARY – OPTION #2

Fiscal year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Eff. Date	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	
Overall Rate Revenue Increase	9.0%	9.0%	4.0%	3.0%	2.5%	
Single Family Rate (per year)	\$234.00	\$255.06	\$278.02	\$289.14	\$297.81	\$305.26
Annual Increase		\$21.06	\$22.96	\$11.12	\$8.67	\$7.45
Monthly Increase		\$1.76	\$1.91	\$0.93	\$0.72	\$0.62



- Use reserves to smooth-in rate increase
 - Pros: Monthly increase never exceeds \$2/month for Single-Family Customers
 - Cons: Dipping further below operating reserve target, and for a longer period, may result in cash-flow issues during periods of high inflation or unexpected costs/emergencies



QUESTIONS/COMMENTS

NEXT STEPS

- **Update model / Recommended Increase based on feedback**
- **March 16 Council Meeting**
 - Request authorization to mail Proposition 218 notices to ratepayers
- **June – Rate Adjustments Presented to City Council**
 - Barring a successful protest (50% + 1), Council may adopt maximum rates included in the Proposition 218 notice
- **July 1, 2022- Adopted rates enacted for 2022**
- **July 2022 – Begin Phase II to address SB 1383 and commercial rate re-structure**