

CITY OF VICTORVILLE

Final Report

Solid Waste Rate Study

August 2023

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INTRODUCTION AND OVERVIEW

The City of Victorville (City) contracts for all solid waste services within the City, including refuse collection and disposal for residential and commercial customers, recycling, operation of the City’s Materials Recovery Facility (MRF), and organics material processing. The City provides collection services under a franchise agreement with Victorville Disposal., Landfill disposal services are provided by San Bernardino County through a contract. Recycling and organics processing services are provided through separate contracts with Burrtec Waste Industries. Additionally, the City must now implement expanded organics recycling programs in order to comply with the requirements of California state Senate Bill (SB) 1383 (SB 1383). These new programs include but are not limited to a curbside residential organics collection program, expanded commercial organics collection programs, edible food recovery, compost procurement, education, and outreach and more.

The City last updated its solid waste rates in 2018 (NBS performed the rate study), and the City retained NBS to update its current solid waste rates.

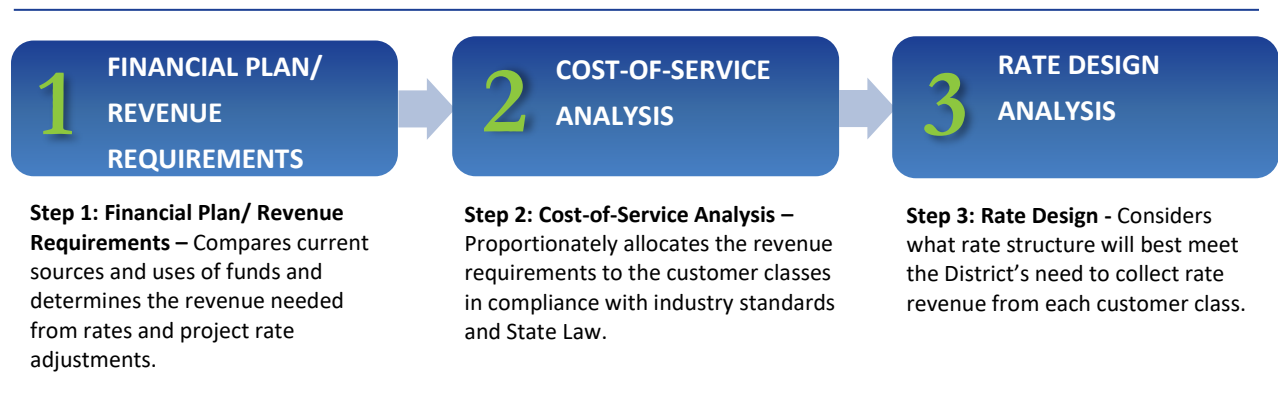
The additional SB 1383 costs are the primary changes to the current rates, although the City has also determined that street sweeping costs should be added to the solid waste rates rather than continuing to fund street sweeping through various other sources.

The new rates will incorporate these additional SB 1383 and street sweeping cost components and will be based on the financial plan developed as a part of this study. This memo summarizes the analysis and the recommended new rates.

RATE STUDY METHODOLOGY

Rate studies typically include the three components shown in **Error! Reference source not found.**:

Figure 1 - Primary Components of a Rate Study



Preparation of a Financial Plan – This plan incorporates current and projected budget data, including projected expenses and revenues. Revenue consists of both rate- and non-rate revenues. Rate revenues are the fees and charges the City uses to collect revenue for solid waste services. Miscellaneous other revenues such as late fees, recyclable material sales, and interest earnings would be considered non-rate revenues. This plan also evaluated current and planned reserve-fund levels, which are discussed further below.

Cost of Service Analysis – This component focuses on equitably allocating costs to the various customer classes, or types of service, such as single-family residential, commercial bins, roll-offs, etc. In the City’s case, many of the charges are established in the City’s hauler agreement with Victorville Disposal,

although the City’s administrative and overhead costs are also allocated and incorporated into solid waste rates.

Rate Design Analysis – In most rate studies, this component determines how rate revenue is collected from customer classes. The City’s solid waste rate structure is already established and will only be modified as needed to accommodate the SB 1383 and street sweeping-related charges.

RESULTS OF THE SOLID WASTE RATE STUDY

Financial Plan

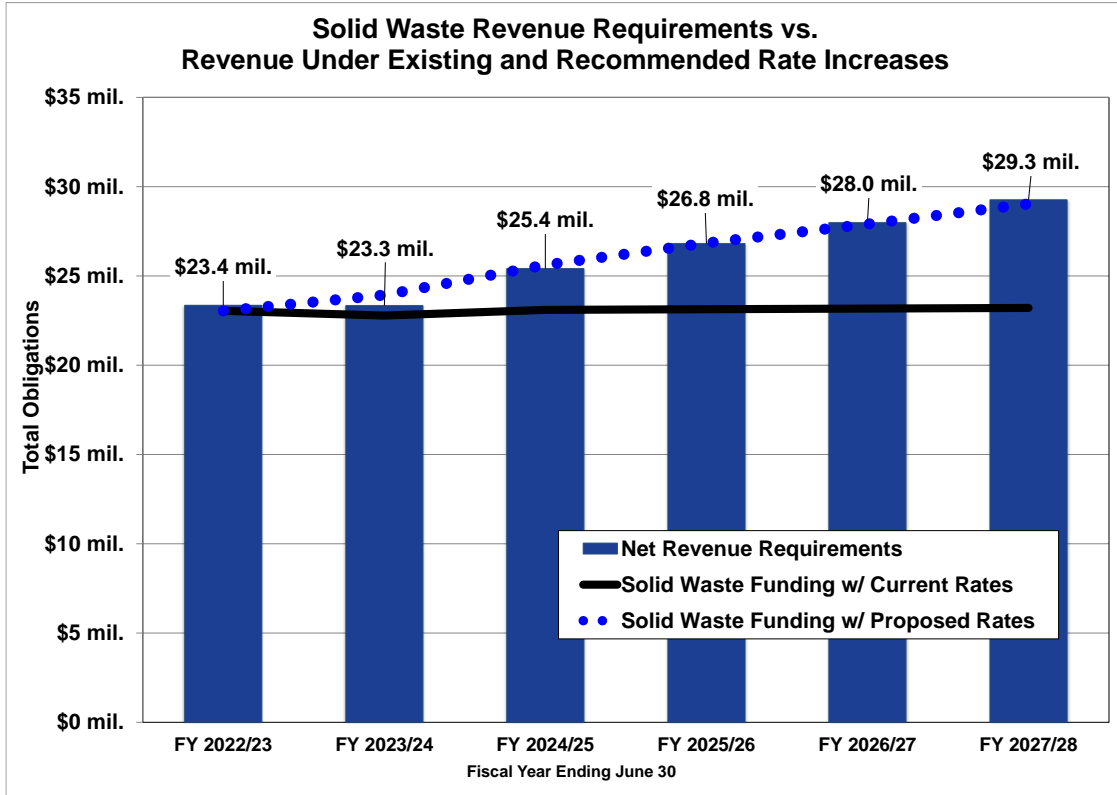
The financial plan incorporates the planned expenditures and both rate and non-rate revenues, such as fees, interest earnings, and miscellaneous revenues. Although the financial plan identifies how closely revenues match overall expenditures, the overall rate increases each year do not directly tie to the various rate components for each customer class and service level. The cost-of-service analysis and rate design determine those individual components.

Table 1 and Figure 2 summarize the net revenue requirements, which is the total revenues less non-rate revenues minus total operating expenses, and revenues under current and proposed rates. Net revenue requirements are the revenue required from rates over the next five years and directly impact the increases in rates. These rate increases are passed on to the individual rate components, which vary based on the changes in the costs included in each rate component.

Table 1 - Summary of Solid Waste Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		Projected			
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Sources of Solid Waste Funds						
SW-Admin Fee	3,164,800	3,164,800	3,164,800	3,164,800	3,164,800	3,164,800
SW-Solid Waste Fee	16,471,778	16,471,778	16,471,778	16,471,778	16,471,778	16,471,778
Pavement Impact Fee Revenue	506,000	206,000		506,000	506,000	506,000
Rate Revenue	20,142,578	19,842,578	20,142,578	20,142,578	20,142,578	20,142,578
Revenue from Other Solid Waste Fees:	1,398,000	1,514,700	1,531,173	1,557,589	1,585,389	1,616,070
Source Reduction/Recycling Revenues:	1,503,848	1,420,700	1,425,500	1,430,462	1,435,592	1,440,895
Street Sweeping Contract Services	-	7,100	7,400	7,700	8,000	8,300
Non-Rate Revenue	2,901,848	2,942,500	2,964,073	2,995,751	3,028,980	3,065,265
Total Sources of Funds	\$23,044,426	\$22,785,078	\$23,106,651	\$23,138,329	\$23,171,558	\$23,207,843
Uses of Solid Waste Funds						
SW-Hauling Charges	\$ 12,572,400	\$ 15,209,718	\$ 15,818,107	\$ 16,450,831	\$ 17,108,864	\$ 17,793,219
SW-Disposal Charges	\$ 4,787,000	\$ 4,519,400	\$ 4,700,176	\$ 4,888,183	\$ 5,083,710	\$ 5,287,059
Source Reduction and Recycling	\$ 2,366,807	\$ 2,461,310	\$ 2,559,762	\$ 2,662,153	\$ 2,768,639	\$ 2,879,385
Customer Service	\$ 967,521	\$ 1,008,908	\$ 1,049,264	\$ 1,091,235	\$ 1,134,884	\$ 1,180,280
Add'l SB 1383 Organics Proram Costs	\$ -	\$ -	\$ 581,700	\$ 611,000	\$ 642,000	\$ 674,000
Street Sweeping	\$ -	\$ 568,148	\$ 754,361	\$ 1,096,300	\$ 1,167,600	\$ 1,243,500
Pavement Impact	\$ 506,000	\$ 206,000	\$ 506,000	\$ 506,000	\$ 506,000	\$ 506,000
All Other Operating Costs	\$ 2,153,708	\$ 2,516,651	\$ 2,909,077	\$ 3,005,200	\$ 3,105,168	\$ 3,275,399
Total Operating Expenses	\$ 23,353,437	\$ 26,284,135	\$ 28,372,447	\$ 29,804,902	\$ 31,010,866	\$ 32,332,841
Total Uses Less Non-Rate Revenue	\$20,451,589	\$23,341,635	\$25,408,374	\$26,809,151	\$27,981,886	\$29,267,576
Total Rate Revenue After Rate Increases	23,044,426	23,932,138	25,613,217	26,844,125	27,911,274	29,031,183
Surplus (Deficiency) after Rate Increase	(309,011)	590,503	204,843	34,974	(70,612)	(236,394)

Figure 2 - Summary of Solid Waste Financial Plan



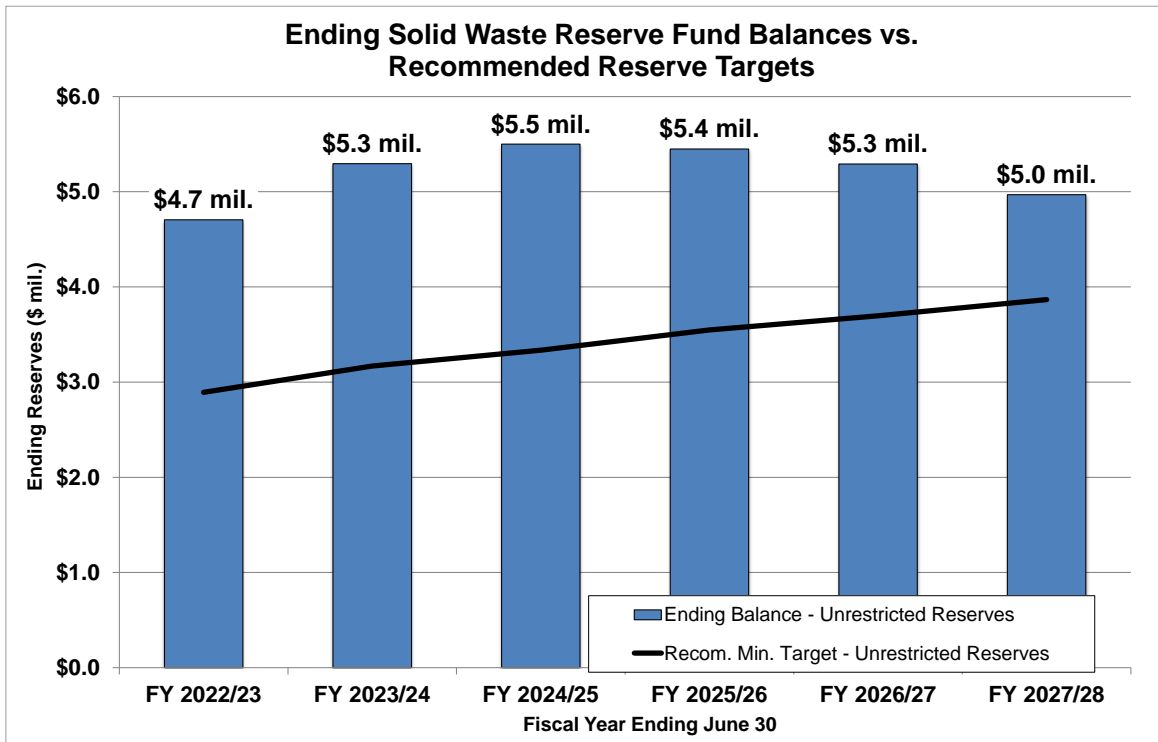
Reserve Funds – Table 2 and Figure 3 summarize the solid waste reserve funds over the next five years and indicate that reserves exceed the minimum in each of the years. The following are the recommended reserve fund target year-end balances:

- **Operating & Maintenance (O&M) Reserve** – This reserve is intended to cover emergency and unplanned costs, as well as normal cash-flow management. Typical utility O&M reserves are intended to cover for three months (90 days) of annual operating costs. In the City’s case, this three-month reserve only applies to City O&M costs, and excludes costs related to contracted operations (i.e., the hauler agreement) and disposal costs. Contracted operations were excluded because they are not likely to change and disposal costs are not a direct operating cost addressed by this reserve. This target reserve amounts to approximately \$1.65 to \$2.2 million over the next five years.
- **Capital and MRF Repair & Replacement Reserve** – This reserve provides emergency funds related to capital assets, including materials recovery facility (MRF) and corporation yard rolling stock, buildings, and structures. Because most of the collection and disposal rolling stock and maintenance facilities are provided by the contracted hauler (Victorville Disposal), the City’s capital assets are relatively small. However, with the broader new requirements of SB 1383, there is additional risk that new equipment and/or changes in the MRF operations will require additional reserves. The analysis assumes that 40 percent of the value of City-owned capital assets, which is approximately \$1.6 to \$1.85 million over the five year rate period, is a reasonable target reserve level.

Table 2 - Summary of Solid Waste Reserves

Ending Reserve Fund Balances and Recommended Reserve Targets	Budget		Projected			
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Solid Waste O&M Reserve Fund						
O&M Reserve Fund Ending Balance	\$ 4,704,410	\$ 3,725,682	\$ 3,856,312	\$ 3,725,969	\$ 3,501,984	\$ 3,107,972
<i>O&M Reserve Fund Recom. Min. Target</i>	<i>1,372,000</i>	<i>1,587,000</i>	<i>1,692,000</i>	<i>1,837,000</i>	<i>1,918,000</i>	<i>2,018,000</i>
Capital and MRF Repair & Replac. Reserve Fund						
Capital & MRF R&R Reserve Fund Balance	\$ -	\$ 1,569,231	\$ 1,643,443	\$ 1,722,326	\$ 1,789,017	\$ 1,860,485
<i>Capital & MRF R&R Reserve Min. Target</i>	<i>1,520,000</i>	<i>1,581,000</i>	<i>1,644,000</i>	<i>1,710,000</i>	<i>1,778,000</i>	<i>1,849,000</i>
Ending Balance - Unrestricted Reserves	\$ 4,704,410	\$ 5,294,913	\$ 5,499,755	\$ 5,448,295	\$ 5,291,001	\$ 4,968,457
<i>Recom. Min. Target - Unrestricted Reserves</i>	<i>\$ 2,892,000</i>	<i>\$ 3,168,000</i>	<i>\$ 3,336,000</i>	<i>\$ 3,547,000</i>	<i>\$ 3,696,000</i>	<i>\$ 3,867,000</i>

Figure 3 - Summary of Solid Waste Financial Plan



Although the amount of the projected reserve is greater than the targeted minimum, it is recommended to maintain the additional reserve and monitor fund balance as the new rates are implemented. There are several “unknowns” which could impact expenses and revenues in future years, including costs for SB 1383 mandated procurement of Recovered Organic Waste Product. In addition, it is unknown how many residential customers will turn in their extra trash carts when they receive an additional cart for organics recycling. If 75% of the residential customers who have an extra trash cart decide to turn in their extra trash cart, this could reduce revenues by over \$240,000 per year. In addition, residents may choose the new 65-gallon trash carts, further reducing revenues. If the extra reserve is maintained or increases in future years, then a decision can be made to use the extra reserve to delay or reduce a future rate increase.

Inflation and Growth Projections – Assumptions regarding cost inflation were used to project future revenues and expenses for the study period. The following annual inflation factors were used in the analysis:

- No customer growth is expected.
- General cost inflation is 4 percent.

- Fuel cost inflation is 9 percent.
- Materials Recovery Facility (MRF) inflation is 6.5 percent.
- Collection system cost inflation is 5 percent.
- Landfill cost inflation is 3 percent.
- AB 939 cost inflation is 4 percent.

Customer Classes and Rate Components

The City’s solid waste rates are identified by residential and commercial customer classes that define the type of service (size of container and number of pickups per week) that customers receive. The following are the various customer classes:

Residential Classes – Typical residential service (single-family and multi-family) is once per week collection of a 95-gallon trash container and 65-gallon recycling container. There are approximately 31,300 single family and 1,000 multi-family residential accounts. A smaller 65- and 35-gallon trash container is also available, and extra carts are provided as requested. Because some commercial businesses receive the same type of service as residential customers (i.e., 95-gallon cans plus 65-gallon recycling cans with one pickup per week), these commercial accounts are considered the same as residential accounts for ratemaking purposes. Table 3 shows the number of accounts.

Commercial Bins – The City’s commercial rate schedule includes a large variety of services based on container size and number of pickups per week; Table 4 summarizes the most common levels of service and container sizes. Roll-off containers make up a much smaller type of commercial service. There are approximately 174 roll-off accounts.

Table 3 - Number of Residential Accounts

Residential Service (Once/week)			
Type	Size	Frequency	Units
Single-Family Residential (SFR)	95 gal.	1	31,338
<i>SFR- Extra Green Cans</i>	<i>95 gal.</i>	<i>1</i>	<i>6,353</i>
<i>SFR- Extra Blue Cans</i>	<i>60 gal.</i>	<i>1</i>	<i>2,610</i>
<i>SFR-Hardship</i>	<i>95 gal.</i>	<i>1</i>	<i>252</i>
Total Single-Family Accounts*			31,338
Multi-Family Residential (MFR)	95 gal.	1	994
<i>MFR- Extra Green Cans</i>	<i>95 gal.</i>	<i>1</i>	<i>12</i>
<i>MFR- Extra Blue Cans</i>	<i>60 gal.</i>	<i>1</i>	<i>6</i>
Total Multi-Family Accounts*			994
Commercial Cans	95 gal.	1	64
<i>Commercial Cans-Extra Green</i>	<i>95 gal.</i>	<i>1</i>	<i>6</i>
<i>Commercial Cans-Extra Blue</i>	<i>60 gal.</i>	<i>1</i>	<i>25</i>
Total Commercial Accounts*			64

Table 4 - Number of Commercial Bins Accounts

Commercial Bins (Most Common Service Levels - Partial List)			
Commodity	Size	Frequency	Quantity
Trash	1.5 CY	1 /week	178
Trash	2.0 CY	1 /week	125
Trash	3.0 CY	1 /week	310
Trash	3.0 CY	2 /week	184
Trash	3.0 CY	3 /week	177
Total Commercial Bins*			1,312

** Since this is a partial list, the total is higher than those listed here.*

Rate Components – The following are the rate components included in the solid waste rates:

- Collection charges for refuse, recycling, organic materials, including bin rental (as defined in the City’s hauler agreement).
- Disposal charges (as per the Waste Delivery Agreement contract between the City and San Bernardino County). Disposal charges also includes MRF residue disposal costs and organic material processing costs.
- AB 939 fees covers MRF operational and maintenance costs as well as the costs for membership in the Mojave Desert & Mountain Recycling Authority.
- Pavement Impact fees recover a portion of the costs of street repair that is directly related to the impacts of refuse collection vehicles on the City’s streets.
- Administrative fees recover miscellaneous administrative and program management costs.
- New Organics Recycling/Diversion Program Costs to comply with CA state law SB 1383.
- Franchise fees are for a payment to the City’s General Fund as part of the hauler’s agreement and is currently set at 8% of the above fees and charges.
- Household Hazardous Waste Fee pays for the cost of operating the City’s Household Hazardous Waste (HHW) Program. The City HHW Collection Center is located on Loves Lane and staffed by Victorville Disposal under contract to the City. Hazardous materials are disposed of through a contract with the San Bernardino County Fire Protection District. The HHW fee is charged to only residential customers: commercial accounts cannot use the HHW facility and are not charged the HHW fee.
- Street Sweeping fees, which were previously funded through other sources, are now proposed to be funded through the solid waste program. Proposed fees are a monthly charge to all single-family, multi-family, and commercial 95-gallon can/recycling service with one pickup per week. These customers account for approximately 96 percent of solid waste customers (roll-offs and commercial bins make up the remainder).

Each of these fees has been examined and adjusted as needed to reflect inflation-related cost increases, agreement-related cost increases, and new or increasing operational costs. The following is a summary of the adjustment factors considered in this analysis.

Overview of Rate Adjustments – Individual rates for each customer classes were adjusted as follows:

- Refuse, recycling, and organics collection service costs were adjusted based on the Consumer Price Index, as identified in the terms of the City’s contract with Victorville Disposal.
- Other solid waste and recycling program costs are allocated to residential and commercial customers based on the percentage of refuse that is attributable to the two different sectors -- residential and commercial. The current allocation is 55% residential and 45% commercial. Once the percentage of costs is determined for each sector, the residential rate is then further allocated based upon the most recent number of residential units (32,614 units) and the commercial rate

is based on cubic yards per year (873,750 total cubic yards/year), including 584,900 cubic yards of trash and 288,850 cubic yards of recyclables and organics.

- Disposal costs reflect higher landfill costs and organics processing costs.
- The franchise fee has remained unchanged at 8% per the City’s agreement with Victorville Disposal.
- Administrative fees reflect increases in City overhead and operating costs, including those related to new mandated programs such as SB 1383.
- Street sweeping fees are based on the City’s current operating costs for the City properties served by this program plus the need to add an additional street sweeper operator, for a total of five instead of four, and an equipment replacement plan.

Table 5 summarizes the current and proposed fees for residential/commercial 95-gallon can curbside pickup services.

Table 5 - Current and Proposed Residential (95-Gal Can/Curbside pickup) Rate Components

Solid Waste Residential Fees (95-Gal. Cart)	FY'22/23	FY'23/24	Change in SFR Rate	SB 1383 Costs
<i>Pavement Impact Fee</i>	<i>\$0.75</i>	<i>\$0.29</i>	<i>(\$0.46)</i>	
<i>Organics Program</i>	<i>\$0.00</i>	<i>\$0.90</i>	<i>\$0.90</i>	<i>\$0.90</i>
<i>Organics Collection</i>	<i>\$0.00</i>	<i>\$4.20</i>	<i>\$4.20</i>	<i>\$4.20</i>
<i>AB 939 Fee</i>	<i>\$1.01</i>	<i>\$0.94</i>	<i>(\$0.07)</i>	
<i>Street Sweeping (NEW)</i>	<i>\$0.00</i>	<i>\$0.83</i>	<i>\$0.83</i>	
<i>Franchise Fee</i>	<i>\$2.28</i>	<i>\$3.12</i>	<i>\$0.84</i>	
<i>Admin</i>	<i>\$3.40</i>	<i>\$5.18</i>	<i>\$1.78</i>	<i>\$0.27</i>
<i>Disposal</i>	<i>\$5.03</i>	<i>\$7.82</i>	<i>\$2.79</i>	<i>\$2.00</i>
<i>Collection</i>	<i>\$18.30</i>	<i>\$19.64</i>	<i>\$1.34</i>	
Total	\$30.77	\$42.92	\$12.15	\$7.37

As the table above shows, costs associated with implementation of SB 1383 programs account for \$7.37 or 60% of the total residential rate increase. The addition of street sweeping costs accounts for another \$0.83 or 6% of the total increase. Combined, SB 1383 costs and sweeping costs account for 66% of the total proposed increase. However, the street sweeping charge is temporarily low due to ARPA funding of street sweeper replacements; this cost will be borne by the City in the future and increase this rate component to \$2.80 per residential account in FY 25/26.

Over the past two years, the Collection component has increased significantly due to CPI adjustments per the franchise agreement. For FY 22/23, the collection component increased by 8.59% and for FY 23/24, the collection component is increasing an additional 7.33%. The 7.33% increase in collection costs added \$1.34 to the residential collection cost for FY 23/24. The \$1.34 represents 11% of the total \$12.15 residential rate increase.

Summary of Adjustments to Rate Components

The following are descriptions of how individual rate components were adjusted.

Refuse, Recycling, and Organics Collection Fee – Section 10.06 of the First Amended, Consolidated and Restated Exclusive Franchise Agreement between the City of Victorville and Victorville Disposal, Inc., from 2009 as subsequently updated by Amendment Number 2 in 2018 provides that:

Contractor's compensation as set forth in Attachment E, Contractor Service Unit Rates, shall be adjusted each July 1st by an amount equal to the average January to January change in the Consumer Price Index for All Urban Consumers for Riverside-San Bernardino-Ontario as published by the United States Department of Labor, Bureau of Labor Statistics ("CPI")."

The CPI adjustment due for FY 23/24 is 7.33%. The CPI adjustment for the prior year, FY 22/23, was 8.59%. The two most recent increases are much larger than prior increases, which have typically ranged between 1-3% annually.

As a result of the 7.33% adjustment to collection costs for FY 23/24, the residential collection service cost will increase \$1.34 per month, to \$19.64 per month, up from \$18.30/month. In addition, the new residential organics collection program will add another \$4.20 to the residential collection component, bringing the total residential collection cost to \$42.92 per month for three-can service. Commercial customers will also see a 7.33% increase in refuse, recycling, and organics collection component costs. Actual dollar increases for commercial customers will vary, depending on their level of service. For a customer with a 3-cubic yard trash bin emptied once per week, the collection component will be \$53.66 per month, up from \$49.99 per month previously.

Dump/Disposal Fees – The Dump/Disposal Fee component of the solid waste rate pays for the following three items: disposal of trash from residential and commercial waste collected by Victorville Disposal; disposal of residue from the Victor Valley MRF processing center; and organic material processing costs. Refuse from City residents and businesses is disposed of at San Bernardino County's Victorville landfill per the terms of the December 1997 Waste Delivery Agreement between the City of Victorville and the County of San Bernardino and subsequent amendments. Each July, the County adjusts the landfill rate for a cost-of-living increase as outlined in the Waste Delivery Agreement. The County landfill rate increased 3.2% for FY 23/24, from \$40.75 per ton to \$42.07 per ton. MRF residue is also disposed at the County landfill at the Waste Disposal Agreement contract disposal rate.

Organic materials are processed at the Victor Valley Compost Facility operated by Burrtec Waste Industries. For FY 23/24, processing fees increased 8.7% at the compost facility.

Disposal/processing costs are allocated to each customer class based on the tonnage generated/disposed. The residential disposal fee for FY 23/24 is calculated to be \$7.82 per month, based on an average waste generation of 1.49 tons/year per household; the landfill disposal rate of \$42.07 per ton; estimated organics generation of .37 tons per household and a processing fee of \$106.58/ton; and MRF residue of .10 tons (200 pounds) per year. Residential organics processing costs are estimated to comprise \$2.00 per month of the total. The commercial disposal rate is based on an average of 91 pounds per cubic yard of trash and works out to \$2.62 per cubic yard, including \$.55/cubic yard for organics processing. Disposal fees are not assessed on commercial recycle bins.

AB 939/Recycling Program Costs – The AB 939 Fee covers the City's portion of costs of operating the Victor Valley MRF as well as the costs of membership in the Mojave Desert and Mountain Recycling Authority. Revenues from the sale of recyclable materials help offset MRF operating costs, but do not cover 100% of the costs. Due to increased recyclable volumes, higher revenues are forecast, and the AB 939 Fee is therefore decreasing for residential customers to 94 cents per month (down from \$1.01/month) and decreasing to 34 cents per cubic yard (down from 42 cents/yard) for commercial customers.

Organics Program Fee – SB 1383 was enacted in 2016 and imposed numerous requirements on jurisdictions for new organics collection programs, plus requirements for outreach and education, inspection and enforcement, container contamination minimization, and record-keeping for the new organics programs. SB 1383 regulations also mandate that jurisdictions procure .08 tons per capita per year of "Recovered Organic Waste Products," which could include compost, mulch, renewable gas, and electricity from renewable gas, as well as several other products. According to calculations from CalRecycle, by 2025, Victorville is required to procure the equivalent of 5,900 tons/year or 14,754 cubic

yards/year of compost. The quantity required to be procured increases from 30% of the total by 2023; 65% by 2024; and 100% of the total by 2025 and beyond.

The Organics Program Fee component pays for the above mentioned expenses, including compost procurement at the 30% level, but does not include organics collection costs. (Organics collection costs are included in the Collection Fee component of the rate.) Commercial customers were charged an Organics Fee starting in 2018, since commercial organics programs were implemented back in 2018 in response to CA state law AB 1826 (Mandatory Commercial Organics Recycling). For residential customers, the Organics Fee is proposed to be a new component of the rate starting in FY 23/24 to coincide with implementation of residential organics programs. The residential cost is 90 cents per month and the commercial cost is 38 cents per cubic yard of trash. Going forward, the City will need to evaluate options and additional costs for reaching 100% of the Recovered Organic Waste Product procurement goal. This is an unknown for future years. To the extent that there is a positive Solid Waste fund balance reserve, this will help cover additional costs associated with meeting the full procurement goal.

Administrative Fee – This fee component covers the cost for City administration of solid waste and recycling programs, which includes customer service and billing functions. The Administrative Fees portion of the rate works out to \$5.18 per month for residential accounts and \$1.89 per cubic yard for commercial customers.

Street Sweeping Fee – Street sweeping fees are proposed to be included in solid waste rates. As discussed in detail later in this report, the costs are recommended to be allocated equally to residential and commercial curbside customers, resulting in a fee of \$2.09 per account per month. However, due to ARPA funding for street sweeper replacements in FY 23/24 and FY 24/25, the fee was reduced to \$0.83 and \$1.99, respectively. Including street sweeper replacements at the City’s cost, the fee will increase to \$2.80 in FY 25/26.

Pavement Impact Fee – The Pavement Impact Fee covers a portion of the costs to maintain roads damaged by solid waste collection vehicles. In 2018, the City of Victorville Engineering Division completed an *Analysis of Pavement Damage Costs from Refuse/Recycling Vehicles*. This analysis concluded that approximately 40% of the damage to roads is associated with refuse/recycling collection vehicles and that the cost of this damage is approximately \$3,484,800 per year. Revenues from the Pavement Impact Fee are used as the funding source for the City’s annual \$506,000 base-year match that is required for Victorville to receive Road Maintenance and Rehabilitation Account—Local Streets and Roads funding. Due to growth in the number of residential and commercial customers and the accumulation of a small surplus of these funds, the Pavement Impact Fee is proposed to decrease to 29 cents per residential account per month and 9 cents per cubic for commercial customers. Once that one-time use of surplus funds has been used, the fee in FY 24/25 will be 71 cents for residential and 22 cents per cubic yard for commercial.

Household Hazardous Waste Fee – The HHW Fee has been 32 cents per residential unit per month since 2018. Due to increased costs for staffing and disposal services, it is proposed to increase the HHW Fee by 5 cents per month, up to 37 cents per month starting in FY 24/25.

Based on the various costs included in each of the residential/commercial curbside fees and the commercial bin and roll-off services, Table 6 summarizes the projected residential and commercial solid waste rates. Tables 7 and 8 summarize the rate increases in dollars and percentages.

Table 6 - Current and Proposed Residential and Commercial Rates (\$/Month)

Effective Rate Increases (sum of all rate components)						
Customer Class	Current Rates	Projected Solid Waste Rates (Partial List)				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Single Family Residential	\$30.77	\$42.92	\$46.44	\$49.25	\$51.49	\$53.83
Multi-Family Residential	\$30.77	\$42.92	\$46.44	\$49.25	\$51.49	\$53.83
Commercial Can	\$38.95	\$43.30	\$46.36	\$48.98	\$51.03	\$53.17
Commercial Bin (3.0 CY Bin, 1 Pickup/week)	\$134.05	\$143.62	\$148.49	\$154.54	\$160.85	\$167.44
Comm. Compactor Bin (1.5 CY, 1 Pickup/week)	\$113.34	\$109.94	\$114.95	\$119.21	\$123.64	\$128.25
Commercial Recycling (3 CY Bin, 1 Pickup/week)	\$95.77	\$106.84	\$114.87	\$121.85	\$129.79	\$138.96
Roll-offs (10 CY Roll-Off, 1 Pickup/week)	\$867.65	\$960.83	\$1,013.08	\$1,081.25	\$1,154.27	\$1,232.49

Table 7 - Current and Proposed Residential and Commercial Rates (% Increases)

Effective Rate Increases (sum of all rate components)					
Customer Class	Projected Solid Waste Rates (Partial List)				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Single Family Residential	39.5%	8.2%	6.1%	4.5%	4.5%
Multi-Family Residential	39.5%	8.2%	6.1%	4.5%	4.5%
Commercial Can	11.2%	7.1%	5.7%	4.2%	4.2%
Commercial Bin (3.0 CY Bin, 1 Pickup/week)	7.1%	3.4%	4.1%	4.1%	4.1%
Commercial Compactor Bin (1.5 CY, 1 Pickup/week)	-3.0%	4.6%	3.7%	3.7%	3.7%
Commercial Recycling (3 CY Bin, 1 Pickup/week)	11.6%*	7.5%	6.1%	6.5%	7.1%
Roll-offs (10 CY Roll-Off, 1 Pickup/week)	10.7%	5.4%	6.7%	6.8%	6.8%

*Note: Commercial Recycling goes up by more than other rates due to the addition of Admin. and AB 939 Fees.

Table 8 - Current and Proposed Residential and Commercial Rates (\$ Increases)

Dollar Increase from Previous Year					
Customer Class	Projected				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Single Family Residential	\$12.15	\$3.52	\$2.81	\$2.23	\$2.34
Multi-Family Residential	\$12.15	\$3.52	\$2.81	\$2.23	\$2.34
Commercial Can	\$4.35	\$3.06	\$2.63	\$2.04	\$2.15
Commercial Bin (3.0 CY Bin, 1 Pickup/week)	\$9.57	\$4.86	\$6.05	\$6.31	\$6.59
Comm. Compactor Bin (1.5 CY, 1 Pickup/week)	-\$3.40	\$5.01	\$4.26	\$4.43	\$4.61
Commercial Recycling (3 CY Bin, 1 Pickup/week)	\$11.07	\$8.04	\$6.98	\$7.94	\$9.16
Roll-offs (10 CY Roll-Off, 1 Pickup/week)	\$93.18	\$52.25	\$68.17	\$73.02	\$78.22

Summary of Residential 95-Gal. Can Rate Component Escalators – Based on the various inflation and cost-related adjustments to the residential 95-gallon can rates, Table 9 summarizes the cost-of-service based rate components and/or the annual escalation rates. The highlighted and bold italics rates show the calculated cost-of-service rate components, while the annual percentage escalations are the annual adjustments where these percentages are applied to the previous year’s rate component.

Summary of Commercial 95-Gal. Can Rate Component Escalators – Similar inflation and cost-related adjustments to the commercial property 95-gallon can rates are shown in Table 10. As with the residential rates, the highlighted and bold italics rates show the calculated cost-of-service rate components, while the annual percentage escalations are the annual adjustments where these percentages are applied to the previous year’s rate component.

Table 9 - Current and Proposed Residential Rates and Annual Percentage Increases

Effective Rate Increases (sum of all rate components)							
Component of Residential 95-Gal. Can Rates		Current Rate (\$/Mo.)	Projected Residential (95-Gal. Can) Solid Waste Rates or Percent Rate Increase				
			FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Franchise Fee		\$2.28	8.0%	8.0%	8.0%	8.0%	8.0%
Collection Increase (CPI)		\$18.30	\$19.64	5.0%	5.0%	5.0%	5.0%
Organics Component (SB 1383)		N.A.	\$0.90	5.0%	5.0%	5.0%	5.0%
Organics Collection (SB 1383)		N.A.	\$4.20				
Disposal (County LF Cost Increase)		\$5.03	\$7.82	3.0%	3.0%	3.0%	3.0%
AB 939 Fee (Resid. & Comm.)		\$1.01	\$0.94	4.0%	4.0%	4.0%	4.0%
Pavement Impact Fee for Resid.		\$0.75	\$0.29	144.8%	0.0%	0.0%	0.0%
City Admin Fee (CPI)		\$3.40	\$5.18	5.0%	5.0%	5.0%	5.0%
Street Sweeping (COS Adjustment)		N.A.	\$0.83	\$1.99	32.4%	5.0%	5.0%
Total		\$30.77	\$42.92	\$46.44	\$49.25	\$51.49	\$53.83
Effective Rate Increase		N.A.	39.5%	8.2%	6.1%	4.5%	4.5%

Cost-of-service derived rates are highlighted in **bold italic**.

FY'23/24 rates assume a full year of service; some programs may be only partial years (for both revenues and expenses).

Table 10 - Current and Proposed Commercial Rates and Annual Percentage Increases

Effective Rate Increases (sum of all rate components)							
Component of Residential 95-Gal. Can Rates		Current Rate (\$/Mo.)	Projected Commercial (95-Gal. Can) Solid Waste Rates				
			FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Franchise Fee		\$2.89	8.0%	8.0%	8.0%	8.0%	8.0%
Collection Increase (CPI)		\$24.97	7.3%	5.0%	5.0%	5.0%	5.0%
Organics Component (SB 1383) (\$/CY)		\$0.82	\$0.77	5.0%	5.0%	5.0%	5.0%
Disposal (County LF Cost Increase)		\$5.32	\$5.34	3.0%	3.0%	3.0%	3.0%
AB 939 Fee (Resid. & Comm.)		\$1.01	\$0.94	4.0%	4.0%	4.0%	4.0%
Pavement Impact Fee for Resid.		\$0.75	\$0.29	144.8%	0.0%	0.0%	0.0%
City Admin Fee (CPI)		\$3.20	\$5.18	5.0%	5.0%	5.0%	5.0%
Street Sweeping (COS Adjustment)		N.A.	\$0.83	\$1.99	32.4%	5.0%	5.0%
Total		\$38.95	\$43.30	\$46.36	\$48.98	\$51.03	\$53.17
Effective Rate Increase		N.A.	11.2%	7.1%	5.7%	4.2%	4.2%

Cost-of-service derived rates are highlighted in **bold italic**.

FY'23/24 rates assume a full year of service; some programs may be only partial years (for both revenues and expenses).

Similar adjustments were made for roll-offs, bins, and compactor bins.

Street Sweeping Rates – The City is proposing to incorporate street sweeping rates into the solid waste rates. NBS prepare a separate analysis of the cost of service for street sweeping services that recommended uniform charges to all curbside residential and commercial properties (i.e., 95-gallon can or smaller cans if the customers chose a 65- or 35-gallon trash can).¹ Street sweeping costs were allocated to customer classes based on total annual solid waste revenues for calendar year 2022. We believe this represents a reasonable basis for the allocation of benefits to customer classes.

This analysis also evaluated three rate alternatives, including one that allocated street sweeping costs to all residential and commercial customers (i.e., commercial bins and roll-offs) and two that allocated street sweeping costs solely to curbside residential and commercial customers, which represent approximately 96 percent of all solid waste customers.

The recommended rate allocates street sweeping costs equally to all curbside customers because this approach:

¹ Analysis of Street Sweeping Funding Alternatives, Technical Memorandum, NBS, July 2023. (Included in the Appendix)
Summary of Solid Waste Rate Analysis

- Treats residential and commercial customers equally.
- Makes the rates per account minimal compared to other rate options.
- Is easy to understand and administer.

In the recommended street sweeping rate option, there is no adjustment for smaller cans, since street sweeping rates are intended to apply to residential and commercial properties, regardless of can size.

Table 11 summarizes the street sweeping program costs, including the small amount of revenue the City receives for contracted street sweeping services. The FY 24/25 costs include the addition of one more street sweeper operator, increasing the total to five street sweeper operators. Table 12 summarizes the projected street sweeping rates for curbside residential and commercial customers for FY 23/24, FY 24/25, and FY 2025/26, including the adjustments for the temporary ARPA funding street sweeper replacements.

Table 11 - Current and Projected Street Sweeping Program Costs

Street Sweeping Program Costs		FY 2021/22 <i>Actuals</i>	FY 2023/24 <i>Projected</i>	FY 2024/25 <i>Projected</i>
220 - Gas Tax	Operating Expenses	\$327,794	\$392,390	\$503,730
220 - Gas Tax	Equipment Expenses	\$7,576	\$7,576	\$9,725
202 - Storm Drain	Operating Expenses	\$154,708	\$160,076	\$205,498
370 - LMADS/MAD	Wages & Benefits	\$7,854	\$8,107	\$10,407
<i>(Currently Unfunded)</i>	Capital Replacement	\$250,000	\$250,000	\$275,000
<i>(Currently Unfunded)</i>	Annual Capital Replacement	--	--	\$25,000
Total Annual O&M		\$747,932	\$818,148	\$1,029,361
(less) Special Service Fees	Contract Street Sweeping Services	(\$6,870)	(\$7,200)	(\$7,600)
Net Annual O&M		\$741,062	\$810,948	\$1,021,761

1. Although not shown in this table, ARPA funds were available for street sweeper replacements in FY 23/24 and FY 24/25, but have been reflected in the street sweeping rate component.

Table 12 - Projected Street Sweeping Rates

Calculation of Street Sweeping Rates for Solid Waste Customers					
	St. Sweeping	St. Sweeping Costs	Sweeping Rates		
Type	Units	(\$/Year) ²	Rates(\$/Unit/Mo.)		
Curbside Accounts			FY'23/24	FY'24/25	FY'25/26
Single-Family Resid. (SFR)	31,338	\$542,726	\$1.44	\$2.63	\$2.80
Multi-Family Resid. (MFR)	994	\$17,215	\$1.44	\$2.63	\$2.80
Commercial Cans	64	\$1,108	\$1.44	\$2.63	\$2.80
Total Curbside Services	32,396	\$561,048		\$1,021,761	\$1,096,300
Adjusted Costs for ARPA Funding			\$311,048	\$746,761	
Adjusted Rates for ARPA Funding			\$0.83	\$1.99	

Summary of Projected Residential and Commercial Rates

Figures 4 and 5 below illustrate the projected single-family (95-gal.) and commercial (3 CY) bin rates for FY 2023/24 through FY 2027/28.

Figure 4 - Projected Single-Family Rates Through FY'27/28

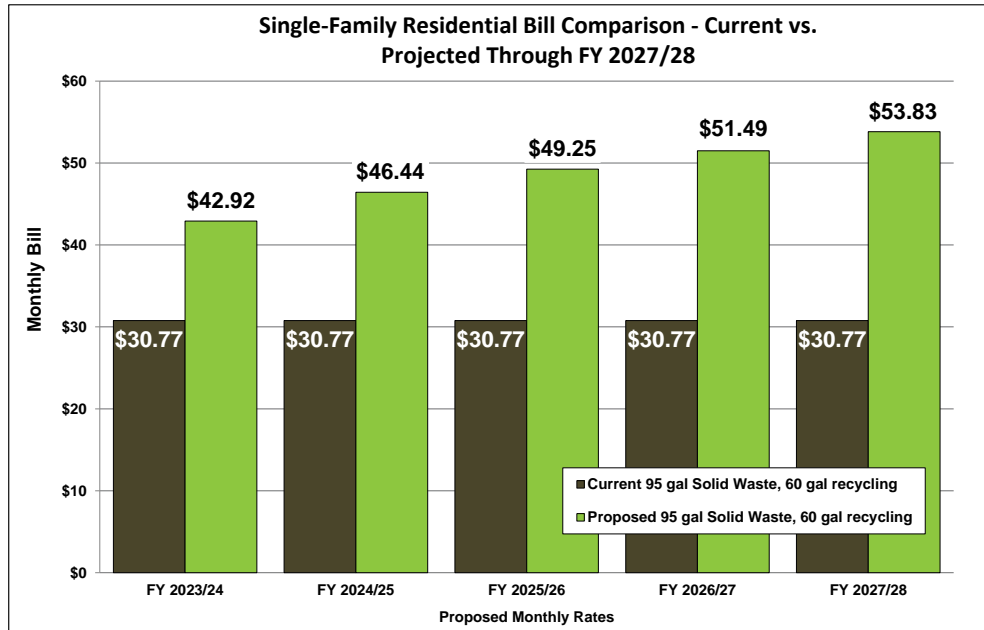
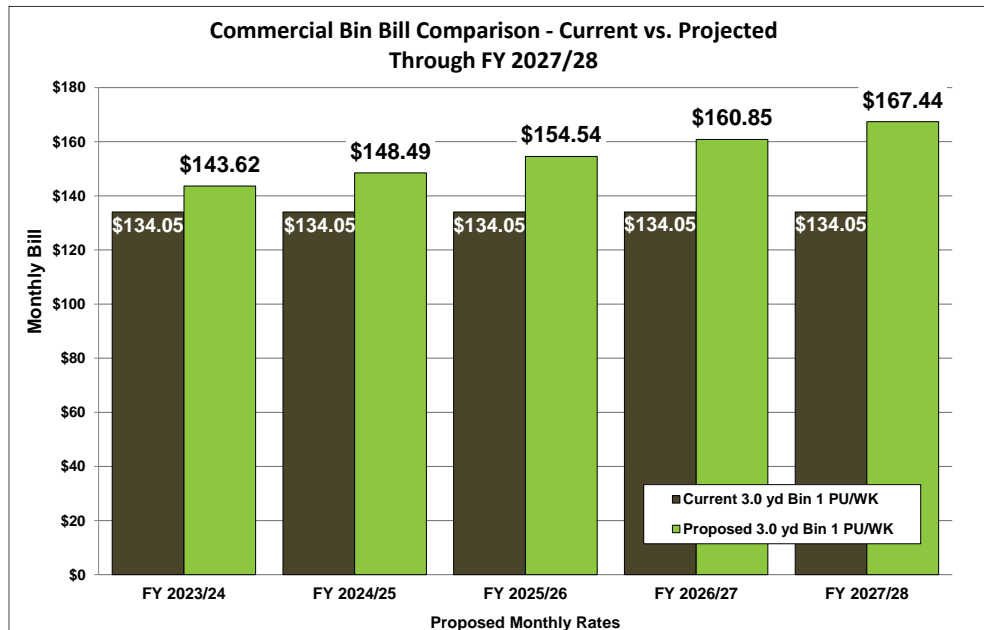


Figure 5 - Projected Commercial 3-CY Bin Rates Through FY'27/28



Comparison of Rates in Other Cities

Figure 6 below provides an overview of comparable rates in similar cities in the region. With the SB 1383 mandates applying to these cities, some may not have fully adjusted their rates to account for these additional costs yet.

Figure 6 - Comparison of Rates for Other Local Jurisdictions

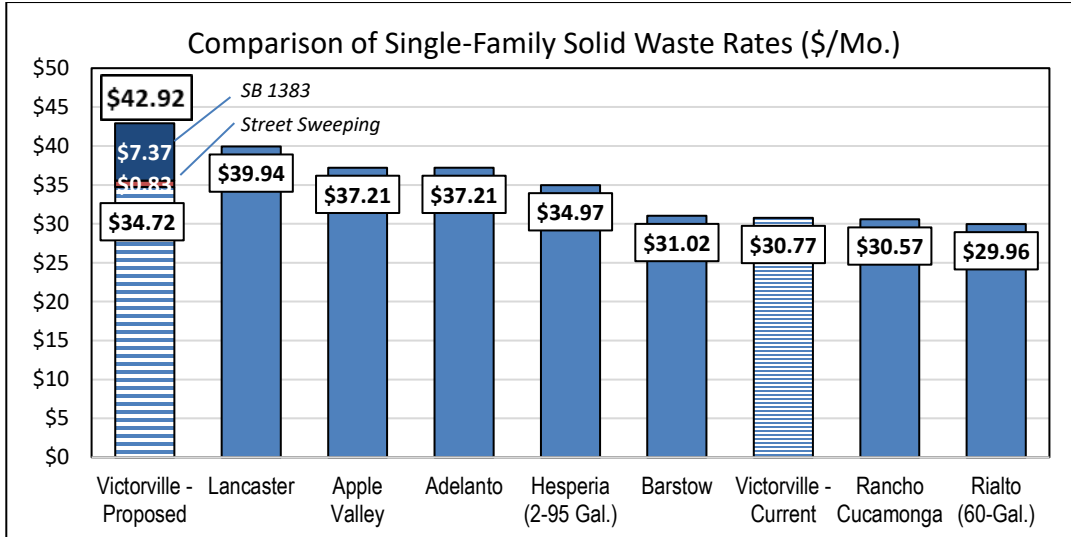
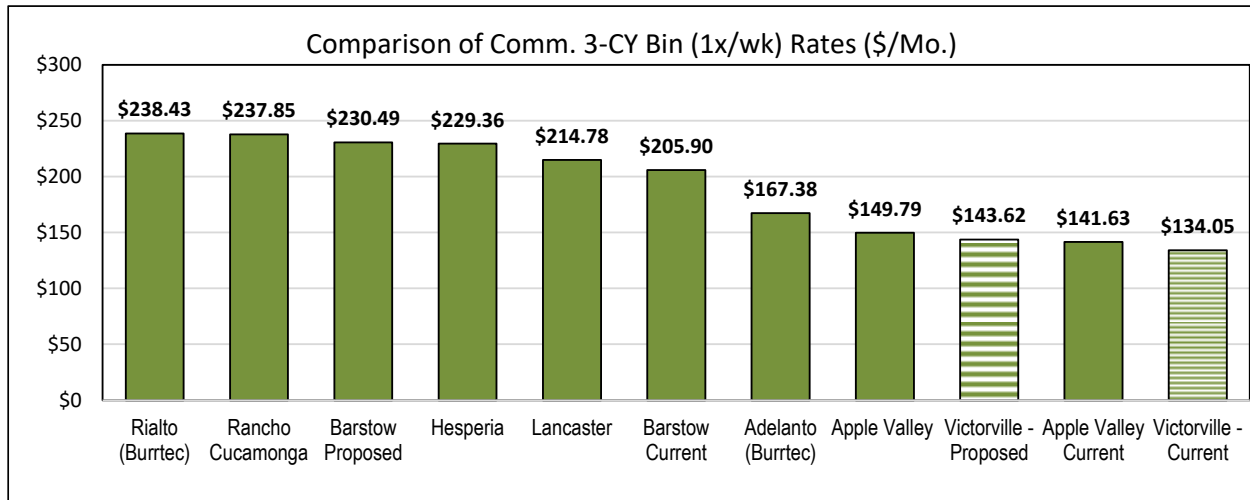


Figure 7 below illustrates rate comparisons for commercial bin collection rates (3 CY, one pickup per week) for similar communities in the region. This comparison indicates that Victorville has some of the lowest commercial bin rates in the area.

Figure 7 - Comparison of Commercial Rates for Other Local Jurisdictions



Rate Model – NBS and City staff worked closely together to develop a rate model to evaluate the three rate study components, as discussed in Rate Study Methodology. The result is an Excel-based rate model that incorporates the analysis and the recommended rates. This model provides the full documentation of the rate analysis, along with detailed rate schedules for each customer class and level of service and has been provided to City staff for future updates as needed. The recommended rates are provided in the Appendix attached to this memo.

FINDINGS AND RECOMMENDATIONS

The following are the primary findings and recommendations resulting from this rate analysis.

Summary of Findings – Since the City’s solid waste rates were last reviewed in the cost-of-service analysis completed in March of 2018, environmental and regulatory requirements have increased significantly. California State law SB 1383 mandated extensive organic material recycling/diversion programs. These have significantly increased the City’s operating costs, including the contracted services provided by Victorville Disposal. This places the City in the difficult position of adopting non-optional rate increases to pay for these new programs to comply with the law, or else face daily State-mandated fines for non-compliance.

Apart from moving street sweeping program costs into the solid waste utility, this study evaluated the various factors contributing to higher rates, and the recommended rates are those necessary to adequately fund the City’s solid waste services and meet contractual collection and disposal costs.

Recommendations – The following are the actions that NBS, in consultation with City staff, recommend the City take regarding the solid waste rates:

- Review the results of this study and consider proceeding with the adoption process to implement these recommended rates.
- Approve the proposed new rates and formally adopt the recommended reserve fund level as part of the rate resolution.
- Have the City’s legal counsel review the proposed rates and Prop 218 notices to ensure that they comply with existing statutes and legal requirements.
- Direct City staff to proceed with sending out Prop 218 notices to begin the protest ballot process required under State law prior to formal adoption and implementation of these rates.
- After a minimum of 45 days after the initial mailing of the Prop 218 notices, determine whether a majority protest to the proposed rates was received. Assuming there was not a majority protest, adopt the proposed rates in a public hearing (scheduled for October 3, 2023 at this time).
- Assuming rates are adopted at an October 3, 2023 public hearing, direct staff to implement the new rates, with an effective date of November 1, 2023.
- Whenever a utility adopts new rates, it is advisable to closely monitor the rate revenue generated from those new rates in the next few years to ensure adequate revenues are being collected or whether revenues may be adequate to postpone future increases. The City should follow this advice.

NBS’ PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this memo and the findings included herein, NBS has relied on several principal assumptions and considerations regarding financial and operational matters, including Victorville’s billing records, accounting reports, City program cost analyses, and other conditions and events projected to occur in the future. We have assumed this information and these assumptions were provided by sources that are reliable; NBS has not independently verified this data.

While we believe NBS’ use of such information and assumptions is reasonable for the purpose of this rate study, memo and its findings, some assumptions will invariably not materialize as stated herein or may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

APPENDIX – DETAILED RATE SCHEDULES

SOLID WASTE RATE SCHEDULE	Current Rates	Proposed Monthly Rates				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Single- and Multi-Family and Comm. Carts						
95 gal Solid Waste, 65-gal Recycle, 65-gal Organics	\$30.77	\$42.92	\$46.44	\$49.25	\$51.49	\$53.83
65 gal Solid Waste, 65-gal Recycle, 65-gal Organics	N/A	\$40.04	\$43.23	\$45.95	\$48.09	\$50.32
35 gal Solid Waste, 65-gal Recycle, 65-gal Organics	\$25.50	\$37.58	\$40.94	\$43.59	\$45.66	\$47.82
Additional 95-gallon Trash Container	\$14.05	\$13.93	\$14.55	\$15.19	\$15.87	\$16.58
Additional 65-gallon Recycling Container*	\$1.81	\$1.99	\$2.08	\$2.19	\$2.30	\$2.41
Additional 65-gallon Organics Container*	N/A	\$13.93	\$14.55	\$15.19	\$15.87	\$16.58
Hardship Rate**	\$24.78	\$39.05	\$42.38	\$44.99	\$47.01	\$49.12
Hardship & Small Can Rate**	\$21.17	\$33.71	\$36.88	\$39.33	\$41.18	\$43.12
Resid. using trash bin: 65-gal <i>Recycle</i> Cart-Required	N/A	\$15.12	\$15.88	\$16.67	\$17.50	\$18.38
Resid. using trash bin: 65-gal <i>Organics</i> Cart-Required	N/A	\$20.46	\$21.82	\$22.79	\$23.81	\$24.87
Commercial Cans						
95 gal Solid Waste, 65 gal recycling	\$38.95	\$43.30	\$46.36	\$48.98	\$51.03	\$53.17
Additional 95-gallon Trash Container	\$11.30	\$15.24	\$15.90	\$16.47	\$17.06	\$17.69
Additional 65-gallon Recycling Container	N/A	\$15.12	\$15.88	\$16.67	\$17.50	\$18.38
Miscellaneous Charges:*** (Per Occurance)						
Late Set Out/Return Trip-Trash, Recycle, Organics	\$20.21	\$18.04	\$18.67	\$20.00	\$20.00	\$20.70
Contaminated Recycle/Organics, Empty as Trash	\$21.56	\$19.84	\$20.53	\$22.00	\$22.00	\$22.77
Change size/number of carts (in excess of once/year)	\$33.68	\$34.86	\$36.08	\$38.65	\$38.65	\$40.00

* The first additional recycling can is free; this charge applies to more than 2 recycling cans.

** Only if granted by the City; applies only to single-family accounts.

*** Applies to both residential and commercial can service.

SOLID WASTE RATE SCHEDULE		Current Rates	Proposed Monthly Rates				
Commercial Bins			FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)	Pick ups/week						
1.5	1	\$68.25	\$73.16	\$77.10	\$80.27	\$83.58	\$87.03
1.5	2	\$130.59	\$139.48	\$147.03	\$153.01	\$159.25	\$165.75
1.5	3	\$192.34	\$205.80	\$216.96	\$225.74	\$234.91	\$244.48
1.5	4	\$254.39	\$272.12	\$286.88	\$298.48	\$310.58	\$323.20
1.5	5	\$316.44	\$338.44	\$356.81	\$371.22	\$386.25	\$401.92
1.5	6	\$378.48	\$404.76	\$426.74	\$443.95	\$461.91	\$480.65
1.5	7	\$440.53	\$471.08	\$496.66	\$516.69	\$537.58	\$559.37
1.5	8	\$502.58	\$537.40	\$566.59	\$589.42	\$613.24	\$638.09
1.5	9	\$564.62	\$603.72	\$636.52	\$662.16	\$688.91	\$716.82
2	1	\$90.39	\$96.87	\$100.17	\$104.27	\$108.54	\$113.00
2	2	\$173.12	\$185.30	\$191.48	\$199.22	\$207.30	\$215.72
2	3	\$255.85	\$273.73	\$282.78	\$294.17	\$306.06	\$318.45
2	4	\$338.58	\$362.16	\$374.09	\$389.13	\$404.81	\$421.18
2	5	\$421.31	\$450.58	\$465.39	\$484.08	\$503.57	\$523.91
2	6	\$504.04	\$539.01	\$556.69	\$579.03	\$602.33	\$626.64
2	7	\$586.77	\$627.44	\$648.00	\$673.99	\$701.09	\$729.36
2	8	\$669.50	\$715.86	\$739.30	\$768.94	\$799.85	\$832.09
2	9	\$752.23	\$804.29	\$830.60	\$863.89	\$898.61	\$934.82

SOLID WASTE RATE SCHEDULE Commercial Bins (Cont.)		Current Rates	Proposed Monthly Rates				
Bin Size (CY)	Pick ups/week		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
3	1	\$134.05	\$143.62	\$148.49	\$154.54	\$160.85	\$167.44
3	2	\$258.15	\$276.26	\$285.44	\$296.97	\$308.99	\$321.53
3	3	\$382.24	\$408.90	\$422.40	\$439.40	\$457.13	\$475.62
3	4	\$506.34	\$541.54	\$559.35	\$581.83	\$605.27	\$629.72
3	5	\$630.43	\$674.18	\$696.31	\$724.26	\$753.40	\$783.81
3	6	\$754.52	\$806.83	\$833.27	\$866.69	\$901.54	\$937.90
3	7	\$878.62	\$939.47	\$970.22	\$1,009.12	\$1,049.68	\$1,091.99
3	8	\$1,002.71	\$1,072.11	\$1,107.18	\$1,151.55	\$1,197.82	\$1,246.08
3	9	\$1,126.81	\$1,204.75	\$1,244.13	\$1,293.98	\$1,345.96	\$1,400.18
4	1	\$180.78	\$193.75	\$200.35	\$208.53	\$217.08	\$225.99
4	2	\$346.24	\$370.60	\$382.95	\$398.44	\$414.59	\$431.45
4	3	\$511.70	\$547.46	\$565.56	\$588.35	\$612.11	\$636.90
4	4	\$677.16	\$724.31	\$748.17	\$778.25	\$809.63	\$842.36
4	5	\$842.62	\$901.17	\$930.78	\$968.16	\$1,007.15	\$1,047.81
4	6	\$1,008.08	\$1,078.02	\$1,113.39	\$1,158.06	\$1,204.66	\$1,253.27
4	7	\$1,173.53	\$1,254.87	\$1,295.99	\$1,347.97	\$1,402.18	\$1,458.73
4	8	\$1,338.99	\$1,431.73	\$1,478.60	\$1,537.88	\$1,599.70	\$1,664.18
4	9	\$1,504.45	\$1,608.58	\$1,661.21	\$1,727.78	\$1,797.22	\$1,869.64

SOLID WASTE RATE SCHEDULE Solid Waste Roll-Offs & Recycling Roll-Offs	Current Monthly Rates	Current Per Pickup Rates	Proposed Rates (Cost per Pickup)*				
			FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Roll-Off Size (CY)	1x/Week	\$/Pickup	<i>(Note: disposal cost plus 8% franchise fee will be added)</i>				
10	\$867.65	\$200.23	\$221.73	\$233.79	\$249.52	\$266.37	\$284.42
20	\$978.49	\$225.81	\$250.89	\$269.57	\$286.54	\$304.69	\$324.09
30	\$1,089.33	\$251.38	\$280.05	\$301.01	\$318.89	\$337.98	\$358.37
40	\$1,200.16	\$276.96	\$309.21	\$332.46	\$351.25	\$371.28	\$392.64

* Disposal costs, if any, will be charged based on actual tonnage charges determined at landfill or other disposal/recycling site, plus Franchise Fee.

SOLID WASTE RATE SCHEDULE		Current Rates	Current Rates	Proposed Monthly Rates (\$/mo.)				
Comm. Bins - Recycling				FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)	Pick ups/week		\$/Pickup					
1.5	1	\$49.10	\$54.76	\$58.85	\$62.41	\$66.45	\$71.11	
1.5	2	\$92.01	\$102.69	\$110.52	\$117.28	\$124.99	\$133.92	
1.5	3	\$134.91	\$150.62	\$162.19	\$172.15	\$183.53	\$196.72	
1.5	4	\$177.81	\$198.55	\$213.86	\$227.02	\$242.07	\$259.52	
1.5	5	\$220.72	\$246.48	\$265.54	\$281.90	\$300.61	\$322.33	
1.5	6	\$263.62	\$294.40	\$317.21	\$336.77	\$359.15	\$385.13	
1.5	7	\$306.52	\$342.33	\$368.88	\$391.64	\$417.69	\$447.93	
1.5	8	\$349.42	\$390.26	\$420.55	\$446.51	\$476.23	\$510.74	
1.5	9	\$392.33	\$438.19	\$472.22	\$501.38	\$534.77	\$573.54	
2	1	\$64.87	\$72.35	\$77.77	\$82.48	\$87.83	\$94.01	
2	2	\$122.07	\$136.26	\$146.66	\$155.64	\$165.88	\$177.74	
2	3	\$179.27	\$200.16	\$215.56	\$228.80	\$243.94	\$261.48	
2	4	\$236.48	\$264.06	\$284.45	\$301.96	\$321.99	\$345.22	
2	5	\$293.68	\$327.97	\$353.35	\$375.13	\$400.04	\$428.96	
2	6	\$350.89	\$391.87	\$422.24	\$448.29	\$478.09	\$512.70	
2	7	\$408.09	\$455.77	\$491.14	\$521.45	\$556.14	\$596.44	
2	8	\$465.29	\$519.68	\$560.04	\$594.61	\$634.20	\$680.17	
2	9	\$522.50	\$583.58	\$628.93	\$667.78	\$712.25	\$763.91	
3	1	\$95.77	\$106.84	\$114.87	\$121.85	\$129.79	\$138.96	
3	2	\$181.57	\$202.69	\$218.22	\$231.59	\$246.87	\$264.56	
3	3	\$267.38	\$298.55	\$321.56	\$341.34	\$363.95	\$390.17	
3	4	\$353.18	\$394.40	\$424.90	\$451.08	\$481.03	\$515.78	
3	5	\$438.99	\$490.26	\$528.25	\$560.83	\$598.10	\$641.38	
3	6	\$524.80	\$586.12	\$631.59	\$670.57	\$715.18	\$766.99	
3	7	\$610.60	\$681.97	\$734.94	\$780.31	\$832.26	\$892.60	
3	8	\$696.41	\$777.83	\$838.28	\$890.06	\$949.34	\$1,018.21	
3	9	\$782.22	\$873.68	\$941.62	\$999.80	\$1,066.42	\$1,143.81	
4	1	\$129.73	\$144.70	\$155.53	\$164.95	\$175.66	\$188.01	
4	2	\$244.14	\$272.51	\$293.32	\$311.28	\$331.77	\$355.49	
4	3	\$358.55	\$400.32	\$431.11	\$457.60	\$487.87	\$522.96	
4	4	\$472.96	\$528.13	\$568.91	\$603.93	\$643.98	\$690.44	
4	5	\$587.36	\$655.93	\$706.70	\$750.25	\$800.08	\$857.92	
4	6	\$701.77	\$783.74	\$844.49	\$896.58	\$956.18	\$1,025.39	
4	7	\$816.18	\$911.55	\$982.28	\$1,042.90	\$1,112.29	\$1,192.87	
4	8	\$930.59	\$1,039.36	\$1,120.07	\$1,189.23	\$1,268.39	\$1,360.35	
4	9	\$1,045.00	\$1,167.16	\$1,257.86	\$1,335.55	\$1,424.50	\$1,527.82	

SOLID WASTE RATE SCHEDULE Compactor Boxes	Current Mo. Rates	Current Rates (Per Pickup)	Proposed Rates per Pickup (\$/PU)*				
			FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)	1x/Week	\$/Pickup	<i>(Note: disposal cost plus 8% franchise fee will be added)</i>				
10	\$1,170.36	\$270.08	\$298.76	\$314.67	\$329.88	\$345.85	\$362.59
15	\$1,225.78	\$282.87	\$313.34	\$330.46	\$346.21	\$362.72	\$380.04
16	\$1,236.87	\$285.43	\$316.25	\$333.62	\$349.47	\$366.10	\$383.53
20	\$1,281.20	\$295.66	\$327.92	\$346.25	\$362.53	\$379.60	\$397.49
28	\$1,369.87	\$316.12	\$351.24	\$371.53	\$388.66	\$406.60	\$425.40
29	\$1,380.96	\$318.68	\$354.16	\$374.69	\$391.92	\$409.98	\$428.89
30	\$1,392.04	\$321.24	\$357.08	\$377.84	\$395.19	\$413.35	\$432.38
35	\$1,447.46	\$334.03	\$371.66	\$393.64	\$411.51	\$430.23	\$449.83
40	\$1,502.88	\$346.82	\$386.24	\$409.43	\$427.84	\$447.11	\$467.28

* Disposal costs will be charged based on actual tonnage charges determined at the landfill or other disposal/recycling site, plus Franchise Fee.

SOLID WASTE RATE SCHEDULE Commercial Bins - Internal Compactors	Current Rates	Current Rates	Proposed Monthly Rates (\$/mo.)				
			FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)	Pick ups/week						
1.5	1	\$113.34	\$109.94	\$114.95	\$119.21	\$123.64	\$128.25
1.5	2	\$220.47	\$213.05	\$222.73	\$230.89	\$239.38	\$248.20
1.5	3	\$327.61	\$316.15	\$330.50	\$342.57	\$355.11	\$368.14
1.5	4	\$434.75	\$419.26	\$438.28	\$454.25	\$470.84	\$488.08
1.5	5	\$541.89	\$522.36	\$546.05	\$565.92	\$586.57	\$608.03
1.5	6	\$649.02	\$625.47	\$653.83	\$677.60	\$702.30	\$727.97
1.5	7	\$756.16	\$728.57	\$761.60	\$789.28	\$818.03	\$847.91
1.5	8	\$863.30	\$831.68	\$869.38	\$900.96	\$933.77	\$967.86
1.5	9	\$970.43	\$934.78	\$977.15	\$1,012.63	\$1,049.50	\$1,087.80
2	1	\$150.51	\$145.92	\$152.57	\$158.22	\$164.09	\$170.19
2	2	\$293.36	\$283.39	\$296.27	\$307.12	\$318.40	\$330.12
2	3	\$436.21	\$420.87	\$439.97	\$456.02	\$472.71	\$490.04
2	4	\$579.06	\$558.34	\$583.67	\$604.93	\$627.01	\$649.97
2	5	\$721.91	\$695.81	\$727.37	\$753.83	\$781.32	\$809.89
2	6	\$864.76	\$833.29	\$871.07	\$902.73	\$935.63	\$969.81
2	7	\$1,007.61	\$970.76	\$1,014.77	\$1,051.64	\$1,089.94	\$1,129.74
2	8	\$1,150.46	\$1,108.24	\$1,158.47	\$1,200.54	\$1,244.25	\$1,289.66
2	9	\$1,293.31	\$1,245.71	\$1,302.17	\$1,349.44	\$1,398.56	\$1,449.59
3	1	\$224.23	\$217.19	\$227.08	\$235.46	\$244.18	\$253.23
3	2	\$438.51	\$423.40	\$442.63	\$458.82	\$475.64	\$493.12
3	3	\$652.78	\$629.61	\$658.18	\$682.17	\$707.10	\$733.01
3	4	\$867.06	\$835.82	\$873.73	\$905.53	\$938.57	\$972.89
3	5	\$1,081.33	\$1,042.03	\$1,089.28	\$1,128.88	\$1,170.03	\$1,212.78
3	6	\$1,295.61	\$1,248.24	\$1,304.83	\$1,352.24	\$1,401.49	\$1,452.67
3	7	\$1,509.88	\$1,454.45	\$1,520.38	\$1,575.59	\$1,632.96	\$1,692.55
3	8	\$1,724.15	\$1,660.66	\$1,735.93	\$1,798.95	\$1,864.42	\$1,932.44
3	9	\$1,938.43	\$1,866.87	\$1,951.48	\$2,022.30	\$2,095.88	\$2,172.33
4	1	\$301.02	\$291.84	\$305.14	\$316.43	\$328.18	\$340.38
4	2	\$586.72	\$566.79	\$592.54	\$614.24	\$636.79	\$660.23
4	3	\$872.42	\$841.74	\$879.94	\$912.05	\$945.41	\$980.08
4	4	\$1,158.12	\$1,116.68	\$1,167.34	\$1,209.85	\$1,254.03	\$1,299.93
4	5	\$1,443.82	\$1,391.63	\$1,454.74	\$1,507.66	\$1,562.65	\$1,619.78
4	6	\$1,729.52	\$1,666.58	\$1,742.14	\$1,805.47	\$1,871.26	\$1,939.63
4	7	\$2,015.22	\$1,941.52	\$2,029.54	\$2,103.27	\$2,179.88	\$2,259.48
4	8	\$2,300.91	\$2,216.47	\$2,316.94	\$2,401.08	\$2,488.50	\$2,579.32
4	9	\$2,586.61	\$2,491.42	\$2,604.34	\$2,698.89	\$2,797.12	\$2,899.17

SOLID WASTE RATE SCHEDULE Organics Program		Current Rates	Proposed Monthly Rates				
Bin Size (CY)	Pick ups/week		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
65 gal. - Organics	1	\$33.88	\$43.90	\$46.15	\$46.06	\$48.21	\$50.47
65 gal. - Organics	2	\$61.64	\$74.08	\$77.89	\$77.70	\$81.28	\$85.04
65 gal. - Organics	3	\$85.38	\$99.79	\$104.94	\$104.64	\$109.42	\$114.42
65 gal. - Organics	4	\$109.47	\$125.92	\$132.42	\$132.02	\$138.01	\$144.28
65 gal. - Organics	5	\$141.28	\$160.54	\$168.83	\$168.32	\$175.98	\$183.99
65 gal. - Organics	6	\$157.11	\$177.54	\$186.74	\$186.11	\$194.50	\$203.29
95 gal. - Greenwaste	1	N/A	\$40.67	\$42.77	\$42.61	\$44.52	\$46.51
95 gal. - Greenwaste	2	N/A	\$73.38	\$79.03	\$78.70	\$82.19	\$85.84
95 gal. - Greenwaste	3	N/A	\$101.42	\$109.46	\$108.96	\$113.73	\$118.73
95 gal. - Greenwaste	4	N/A	\$130.41	\$140.88	\$140.21	\$146.32	\$152.72
95 gal. - Greenwaste	5	N/A	\$167.90	\$181.24	\$180.40	\$188.30	\$196.56
95 gal. - Greenwaste	6	N/A	\$165.37	\$173.09	\$172.78	\$180.86	\$189.33

SOLID WASTE RATE SCHEDULE Miscellaneous Fees		Current Rates	Proposed Rates				
Service			FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Optional Residential Walkup Service- Additional Charge Per Month		N/A	\$23.95	\$25.15	\$26.40	\$27.73	\$29.11
Extra Trash Bags-Per Bag		N/A	\$2.00	\$2.10	\$2.21	\$2.32	\$2.43
Bulky Pickup, Extra Service-Residential or Commercial locations*		N/A	\$61.00	\$64.05	\$67.25	\$70.62	\$74.15
Cart Cleaning/Exchange Fee		N/A	\$35.00	\$36.75	\$38.59	\$40.52	\$42.54
Commercial Bin Cleaning/Exchange		N/A	\$45.00	\$47.25	\$49.61	\$52.09	\$54.70
Locking Device Setup-Trash		N/A	\$40.00	\$42.00	\$44.10	\$46.31	\$48.62
Locking Device Setup-Recycle		N/A	N/C	N/C	N/C	N/C	N/C
Return Trip Fee-Dry Run-Rolloff/Compactors		N/A	\$85.00	\$89.25	\$93.71	\$98.40	\$103.32

*Includes up to 3 items. Additional items at \$14 each.

SOLID WASTE RATE SCHEDULE		Proposed Rates*				
Temporary Services Fees - Residential Clean	Current Rates	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)						
3	N/A	\$132.35	\$138.97	\$145.92	\$153.22	\$160.88

* Up to 1 week.

SOLID WASTE RATE SCHEDULE		Proposed Rates*				
Temporary Services Fees - Mixed Construction and Demolition Waste	Current Rates	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)		<i>(Note: disposal cost plus 8% franchise fee will be added)</i>				
10	N/A	\$483.91	\$508.11	\$533.51	\$560.19	\$588.20
20	N/A	\$489.51	\$513.99	\$539.68	\$566.67	\$595.00
30	N/A	\$495.11	\$519.87	\$545.86	\$573.15	\$601.81
40	N/A	\$500.71	\$525.75	\$552.03	\$579.63	\$608.62

* Disposal costs will be charged based on actual tonnage charges determined at the landfill or other disposal/recycling site, plus Franchise Fee.

SOLID WASTE RATE SCHEDULE		Proposed Rates*				
Temporary Services Fees - Source Separated Material	Current Rates	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)		<i>(Note: disposal cost plus 8% franchise fee will be added)</i>				
10	N/A	\$187.71	\$197.10	\$206.95	\$217.30	\$228.16
20	N/A	\$197.11	\$206.97	\$217.31	\$228.18	\$239.59
30	N/A	\$206.51	\$216.84	\$227.68	\$239.06	\$251.01
40	N/A	\$215.91	\$226.71	\$238.04	\$249.94	\$262.44

* Disposal costs will be charged based on actual tonnage charges determined at the landfill or other disposal/recycling site, plus Franchise Fee.

SOLID WASTE RATE SCHEDULE		Proposed Rates*				
Temporary Services Fees - Residential Clean Out	Current Rates	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Bin Size (CY)						
40	N/A	\$326.78	\$343.12	\$360.27	\$378.29	\$397.20

* Up to 1 week. Includes 3 tons of disposal. Excess disposal billed at landfill rate.

SOLID WASTE RATE SCHEDULE		Proposed Rates*				
Household Hazardous Waste Fee Rate Schedule	Current Rates	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Cost Per Residential Unit per Month	\$ 0.32	\$ 0.32	\$ 0.37	\$ 0.39	\$ 0.41	\$ 0.44

TECHNICAL MEMORANDUM

TO: Doug Mathews, Director of Public Works and Water, City of Victorville
 Dana Armstrong, Environmental Programs Manager, City of Victorville

FROM: Greg Clumpner, Director, NBS Utility Rate Practice Group
 Jeremy Tamargo, Senior Consultant, NBS Utility Rate Practice Group

RE: ANALYSIS OF STREET SWEEPING FUNDING ALTERNATIVES

DATE: July 2023

INTRODUCTION AND BACKGROUND

The City has asked NBS to evaluate alternatives for funding the City’s street sweeping program, including (1) examples of how other cities are funding similar programs, (2) available funding alternatives, (3) street sweeping rate design issues, and (4) street sweeping rate alternatives. This technical memo addresses these issues.

While the City’s residential and commercial customers may see street sweeping as a “free” service, the current street sweeping funding sources summarized in Table 1 are nonetheless real costs to the City. If street sweeping could be added to the cost of other programs, such as the solid waste program, these funding sources could be better used for other services, such as the storm drainage and street maintenance programs.

Street Sweeping Program Costs		FY 2021/22 <i>Actuals</i>	FY 2023/24 <i>Projected</i>	FY 2024/25 <i>Projected</i>
220 - Gas Tax	Operating Expenses	\$327,794	\$392,390	\$503,730
220 - Gas Tax	Equipment Expenses	\$7,576	\$7,576	\$9,725
202 - Storm Drain	Operating Expenses	\$154,708	\$160,076	\$205,498
370 - LMADS/MAD	Wages & Benefits	\$7,854	\$8,107	\$10,407
<i>(Currently Unfunded)</i>	<i>Capital Replacement</i>	\$250,000	\$250,000	\$275,000
<i>(Currently Unfunded)</i>	<i>Annual Capital Replacement</i>	--	--	\$25,000
Total Annual O&M		\$747,932	\$818,148	\$1,029,361
(less) Special Service Fees	Contract Street Sweeping Services	(\$6,870)	(\$7,200)	(\$7,600)
Net Annual O&M		\$741,062	\$810,948	\$1,021,761

1. Although not shown in this table, ARPA funds were available for street sweeper replacements in FY 23/24 and FY 24/25, but have been reflected in the street sweeping rate component.

The contracted revenue is to provide services to Caltrans for some state routes and a parking lot.

FY'24/25 includes a 25% increase in O&M costs for street sweepers and \$25,000 to fund the annual replacement cost of a mobile screen shaker.

As with many municipal services, funding mechanisms were often established many years ago and reflect historical practices and it is not always clear how they were originally created.

EXAMPLES OF STREET SWEEPING FUNDING IN OTHER CITIES

In the following examples, street sweeping services are provided by city personnel and funded either through a direct fee or incorporated into solid waste rates. Details are provided below.

City of Madera – In its last rate study, the City decided to incorporate street sweeping costs into the solid waste rates. The following is an excerpt from the City’s cost-of-service rate study² that was completed in 2022 (and rates were subsequently adopted):

The City currently has a street sweeping fee of \$0.0248 per foot of street exposure and a fee of \$0.0125 for additional cleaning. The City currently expects to collect about \$406,637 from these fees in FY 2021/22, although actual costs are approximately \$660,000 with the difference of about \$261,000 funded by the City’s General Fund and other Enterprise fund transfers. The nexus of the benefits of street cleaning to either the per-foot charges or the costs collected from various residential and commercial customers is not abundantly clear³, and NBS recommends incorporating the street sweeping costs into solid waste rates on a broader basis from all customers. While this would increase solid waste rates, it would also eliminate the current street sweeping charges.

The street sweeping program benefits solid waste customers in two ways: (1) the direct benefit to residents and businesses receiving the street/curb cleaning in front of their home and/or business and, (2) improved sanitation and trash removal in other public areas (streets) not necessarily tied to an individual solid waste customer. The nexus between these street sweeping benefits and the cost allocated to all solid waste customers would support including these costs on an across-the-board basis.

Street Sweeping costs were incorporated into solid waste rates but not as a separate fee. Street sweeping costs accounted for about 7% (or **\$2.24/month/customer**) of the new standard residential solid waste rate of \$32/month.

City of Redding – Like the City of Madera, street sweeping services in Redding are provided by City personnel and the City incorporates them into residential, commercial customer, and drop boxes customer class rates. While there are also solid waste rates for transfer station customers, street sweeping costs were not included in these rates. All solid waste rates were documented in the City’s 2020 Cost of Service Rate Study.⁴

The City’s total street sweeping costs for FY’19/20 were \$1.22 million; these costs were allocated between residential and commercial classes by the total miles of street sweeping provided, with a smaller amount allocated to roll-off/drop boxes based on City estimates. Street sweeping costs were allocated to residential and commercial curbside customers without a distinction in the costs allocated between difference size waste carts (i.e., 95-, 65-, and 45-gallon carts were all allocated the same street sweeping cost). The average cost per residential customer for street sweeping was approximately **\$1.45/account/month**.

City of Fresno – Fresno provides its own street sweeping program (vs. contracted with a waste management company) and funds these service through a “Sanitation Fee” that includes median landscape maintenance, street sweeping, street tree maintenance, and litter control.

For the existing level of service, which the City considers significantly underfunded, the City collects a Sanitation fee of about \$7.40/month/customer, of which the street sweeping portion is about \$2.09/month/customer. The

² City of Madera, Solid Waste Rate Study, Final Report, April 2022, NBS.

³ The City has no formal documentation of how these rates were developed or the rationale for this approach.

⁴ City of Redding, Utility Rate Program Update, Final Report, February 2020, NBS.

City believes the appropriate level (which they referred to as an “enhanced level” of service), the estimated Street Sweeping costs for FY’22 were about \$6.9 million for actual street sweeping, plus a one-time equipment replacement costs of about \$5.5 million. On an annual budgeting basis, total annual costs were estimated to be about \$8.1 million, with the \$5.5 million replacement cost reflected as a \$1.2 million/year loan repayment.

The City has about 110,000 single-family customers plus about 40,000 multi-family units if they are counted as 50% of a single-family equivalent customer: this totals about 150,000 customers. The estimated cost of the “enhanced” level of street sweeping was about **\$4.37/month/customer** (i.e., this excluding median landscape and street tree maintenance and litter control).

STREET SWEEPING FUNDING ALTERNATIVES

Although the Proposition 218 approval mechanisms can be onerous, the legislature carved out three exemptions for water, sewer, and solid waste services, meaning there is a fairly simple “protest ballot” process used to approve these types of parcel-related charges. The City Attorney’s office has provided their legal opinion on whether street sweeping services can be included in solid waste rates and concluded that this is legal under Prop 218 provided that it is properly allocated to the properties being served.

Under Prop 218, street sweeping services could hypothetically be funding through one or some combination of the City’s other utilities:

- Water
- Sewer
- Solid Waste

Essentially as long as a utility can adequately demonstrate that the benefits to utility customer properties are equal to the charges they are paying for street sweeping (or any other service), those charge or rates can be justified under Prop 218 (subject of course to approval by legal counsel and adopted by the administrative body). That is, the validity of this would rely on the nexus, or relationship between the benefits provided to water, sewer, or solid waste customer properties and the amount they pay for these services. In NBS’s opinion, the most tangible benefits of street sweeping accrue to solid waste customers for the following reasons:

- Street sweeping collects and disposes of solid waste that accumulates on the streets through normal activities of residential and commercial customers that, for health and sanitary reasons, need to be removed and disposed.
- Street sweeping is performed in both residential and commercial areas, providing direct benefits to these solid waste customer properties as well as secondary benefits to the community as a whole.
- While the City provides solid waste services through a contractor Victorville Disposal, street sweeping operations are provided directly by City personnel and equipment in a similar manner to solid waste collection and disposal. That is, street sweepers use City streets to collect the trash and refuse materials which City personnel then disposed of.

The benefits of street sweeping to water and sewer customers are typically associated with (1) protection of the City’s groundwater resources (e.g., from pollution that may otherwise contaminate these resources) and (2) avoidance of floodwaters entering sewer collection systems and reduce effluent flowing to the treatment facilities (which in the absence of removal of street debris would increase localized flooding and intensify infiltration and

inflow of contaminated waters into the sewer collection system). There are also benefits to the stormwater system specifically and more generally to public safety, such as minimizing localized flooding by keeping stormwater collection basins clear of debris.

In short, NBS sees many other public agencies using solid waste utilities to collect street sweeping funding and, as a relatively common practice, we believe it has a generally high level of acceptance by the public. We also believe the benefits of street sweeping are most directly connected to solid waste operations.

STREET SWEEPING RATE DESIGN ISSUES

The questions regarding how street sweeping costs could or should be collected through solid waste rates, assuming the City decides to pursue this path, include:

- Should the street sweeping cost be collected through a specific charge or rate that is separately identified vs. being generally incorporated into solid waste rates?
- What financial impacts might this have on the City's franchise fee payments?
- How should street sweeping costs be allocated to solid waste customers?
- What should the "rate design" of street sweeping charge be – that is, what solid waste customers pay what amount, and does this demonstrate a reasonable cost-basis as required under Prop 218?

While these questions have legal components that should be answered by the City's legal counsel (and we believe have been), there are ratemaking components to consider. While this is a fairly simple cost-of-service rate study, we believe it is sufficient to justify including street sweeping rates in the solid waste rate schedules and adopt them through the City's Prop 218 approval process.

Franchise Agreement Issues – Because of the implications for the City's solid waste franchise agreement, it is NBS' opinion that the street sweeping should be a separate charge so that it can be segregated from other solid waste program costs. Since street sweeping is a City-provided service that does not impact the privately contracted solid waste services, it should not be used to increase franchise fees paid to Burrtec.

Street Sweeping Benefits – Street sweeping benefits are more broadly defined compared to services for specific sizes of refuse containers and specific number of pickups per week. That is, both residential and commercial customers contribute to the cost-causation (i.e., they both generate the materials collected by street sweepers), and residential customers are in a sense, also the generators of waste materials in the commercial areas of town served by commercial bins and roll-offs. In other words, were it not for residential customers frequenting commercial areas of town, there would be minimal waste generation in these areas.

Street Sweeping Rate Design – NBS' opinion is that, while street sweeping fees could be collected from commercial bins, roll-offs, and compactors, etc., the most direct nexus is to curbside collection customers, including both residential and commercial cans. We also believe that street sweeping benefits accrue to residential and commercial curbside customer properties regardless of the size of their collection can (i.e., whether they have a 95-, 65-, or 35-gallon collection can). In essence, the benefit is to a household or household equivalent, regardless of the size of their collection can. Because of this, we believe street sweeping rates can and should be applied to residential and commercial curbside customers in an across-the-board manner. We believe this approach is consistent with the City's Attorney's opinion regarding street sweeping costs being collected through solid waste charges.

STREET SWEEPING RATE ALTERNATIVES

NBS has prepared three alternatives for collecting street sweeping costs through solid waste rates. These alternatives assume that street sweeping costs can be allocated to solid waste customers on the basis of the total amount of solid waste rate revenue each customer class pays, as shown in Table 2. We believe the total rate revenues broadly reflect the level of solid waste services received by customer classes. Also, as we have argued elsewhere, street sweeping benefits are more directly related to the number of customer properties served rather than a property’s specific container size or level of service (i.e., number of pickups per week).

As shown in Table 2, over 96% of solid waste customers are curbside accounts. Additionally, because of the relatively small number of customers and the complexity of service options for commercial bins and roll-off/compactors (e.g., combinations of container size and number of collections per week as shown in the City rate schedules), allocating costs to commercial bins and roll-off/compactors would be far more complex than necessary.

Table 2 - Analysis of Street Sweeping Cost Allocation Data for Solid Waste Customers						
Type	FY'22 Revenue ¹	% of Revenue	Size	Frequency	Units	% of Units
Curbside Accounts						
Single-Family Resid. (SFR)	\$9,353,724	57.6%	95 gal.	1/week	31,338	93.4%
Multi-Family Resid. (MFR)	\$280,876	1.7%	95 gal.	1/week	994	3.0%
Commercial Cans	\$55,822	0.3%	95 gal.	1/week	64	0.2%
Total Curbside Services	\$9,690,422	59.7%			32,396	96.6%
Commercial Bins						
Trash			1.5 CY	1/week	178	
Trash			2.0 CY	1/week	125	
Trash			3.0 CY	1/week	310	
Trash			3.0 CY	2/week	184	
Trash			3.0 CY	3/week	177	
Commercial Bin Totals	\$5,008,266	30.9%			974	2.9%
Roll Off/Compactor Accts	\$1,530,581	9.4%	Varies	Varies	174	0.5%
Total	\$16,229,269	100.0%			33,544	100.0%

1. July '21 through June '22 solid waste rate revenue, Source: Sanitation Billings Summary.xlsx

As we have also stated, street sweeping costs could be allocated entirely to curbside customers, which represent more than 96% of all customers. However, the three street sweeping rate alternatives shown in Table 3 follow different cost allocation methodologies with different resulting rates:

Option 1 – Costs are allocated to customer classes based on total number of solid waste rate revenues shown in Table 2. Rates are then calculated by dividing the allocated costs by the number of units (i.e., accounts, containers, or bins). This results in large disparities in the charges for each account type.

Option 2 – Costs are allocated to curbside customer based on the percentages of solid waste rate revenue within the curbside collection accounts only. The street sweeping rates are then calculated by dividing the allocated costs by the number of curbside accounts. This results in charges to commercial cans that are over three times as much as multi-family residential cans.

Option 3 – Costs are allocated to curbside customer properties based on the number of solid waste curbside collection accounts only. The street sweeping rates are then calculated by dividing the allocated costs by the number of curbside accounts. This results in the same charges to all residential and commercial curbside accounts (i.e., 95-gal. cans).

As shown in Table 3, street sweeping rates are significantly different for these three options. Although all three alternatives have a cost-of-service basis, selecting a recommended approach considers other factors, as discussed below. Option 3 also shows the adjusted rate to account for temporary ARPA funding for street sweeper replacements in those two year. The full costs of replacements would be incurred in FY 25/26. Including inflation, that results in a rate of \$2.89 per residential account.

Table 3 - Calculation of Street Sweeping Rates for Solid Waste Customers	Option 1 - Total Revenue Basis		Option 2 - Curbside Rev. Only		Option 3 - Curbside Units Equally			
	St. Sweeping Costs	Sweeping Rates	St. Sweeping Costs	Sweeping Rates	St. Sweeping Costs	Sweeping Rates		
Type	(\$/Year)	(\$/Unit/Mo.)	(\$/Year) ¹	(\$/Unit/Mo.)	(\$/Year) ²	(\$/Unit/Mo.)		
Curbside Accounts						FY'23/24	FY'24/25	FY'25/26
Single-Family Resid. (SFR)	\$323,360	\$0.86	\$541,555	\$1.44	\$542,726	\$1.44	\$2.63	\$2.80
Multi-Family Resid. (MFR)	\$9,710	\$0.81	\$16,262	\$1.36	\$17,215	\$1.44	\$2.63	\$2.80
Commercial Cans	\$1,930	\$2.51	\$3,232	\$4.21	\$1,108	\$1.44	\$2.63	\$2.80
Total Curbside Services	\$334,999		\$561,048		\$561,048		\$1,021,761	\$1,096,300
Adjusted Costs for ARPA Funding						\$311,048	\$746,761	
Adjusted Rates for ARPA Funding						\$0.83	\$1.99	
Commercial Bins								
1.5 CY	\$31,641	\$14.81						
2.0 CY	\$22,220	\$14.81						
3.0 CY	\$55,105	\$14.81						
3.0 CY	\$32,708	\$14.81						
3.0 CY	\$31,463	\$14.81						
<i>Commercial Bin Totals</i>	\$173,137							
Roll Off/Compactor Accts	\$52,912	\$25.34						
Total Street Sweeping Costs ('23/24)	\$561,048							

1. Costs allocated based on % of curbside revenues.

2. Costs allocated based on % of curbside units (i.e., 95-gal. cans).

Street Sweeping Rates – The FY'24/25 Option 3 street sweeping rate of \$2.63/month shown in Table 3 includes an additional 25% in operating costs to fund one additional street sweeper operator (an increase from four to five operators), plus the \$250,000/year for street sweeper replacement and \$25,000/year for a mobile screen shaker replacement (on a 10-year replacement cycle). Without the additional street sweeper operator, the FY'24/25 rate of \$2.63 would drop by \$0.38 to \$2.25.

Selecting a Rate Alternative – Some of the basic ratemaking philosophy and industry standards in utility rate analysis that are relevant to selecting a street sweeping rate alternative are discussed below.

Legal interpretations of Prop 218 have evolved over time and in 2015, following the San Juan Capistrano ruling, the Association of California Water Agencies (ACWA) conducted a workshop to discuss the ratemaking implications for water agencies. One such workshop⁵ in 2015 resulted in two key principles for consideration in the face of the perceived legal challenges and the potential increase in litigation:

- Cost apportionment is not a determination that lends itself to precise calculations.
- Ratemaking does not have to be perfect.

Other industry authorities on utility ratemaking, such as the American Water Works Association (AWWA), publishes the Principles of Water Rates, Fees, and Charges⁶ (commonly referred to as the “M1 Manual”). This

⁵ ACWA Board of Directors Workshop Agenda Packet, July 30, 2015, p. 8 of 95.

⁶ American Water Works Association (AWWA), Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, Seventh Edition, 2017.

manual is accepted as the industry standard for cost-of-service analysis and utility rate studies. Some of the relevant guiding principles when considering how utility rates are calculated include:

- There is no “one right way” to design a rate study.⁷
- “No rate structure meets all utility objectives equally, and not all objectives are valued the same by the utility or its customers.”²
- “The purpose of the cost-of-service analysis is to equitably distribute the revenue requirements between the various customer classes of service served by the utility... and determine the cost differences, if any, exist between serving the various customer classes.”⁸
- “In most cost-of-services analyses, the basis for allocating costs is cost causation, by recognizing the parameter or parameters that most influence the level of cost incurred.”⁹
- “The full revenue requirements should be equitably recovered from customers or classes of customers in proportion to the cost of servicing those customers. However, ...other considerations may, at times, be equally important in determining rates and charges and may better reflect emerging objectives of the utility or the community it serves, including water-use efficiency, revenue stability, and affordability.”¹⁰

In selecting a street sweeping rate alternative, while the City must adhere to Prop 218 mandates, it must also not lose sight of the over-arching principles that have been reinforced since Prop 218 was adopted in 1996. That is, ratemaking needs to be based on reasonable assumptions and reasonable rate calculations. As noted above, this does not mean they must “be perfect” or “precise” or follow any one particular calculation or methodology.

NBS RECOMMENDATIONS

NBS’ professional opinion is that Option 3 is preferred because:

- It treats residential and commercial customers equally.
- The rates are minimal compared to some included in Options 1 or 2.
- It is easy to understand and administer.

Therefore, NBS recommends the City use Rate Option 3 as presented in Table 3 above.

⁷ AWWA, 2017, p. 104.

⁸ AWWA, 2017, p. 5.

⁹ AWWA, Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, Fifth Edition, 2000. p. 182.

¹⁰ AWWA, 2017, p. xix.