

SULTAN CITY COUNCIL AGENDA ITEM COVER SHEET

ITEM NO: D-1

DATE: March 10, 2010

SUBJECT: Garbage Rate Study

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the city council is to review the garbage rate alternatives, based on the council's direction at the February 25, 2010 meeting. The city council should evaluate the pros and cons of each alternative and provide direction to staff.

STAFF RECOMMENDATION:

1. Review proposed garbage rate alternatives (Attachment A) based on council direction at the February 25, 2010 city council meeting.
2. Select a preferred alternative.
3. Direct staff to prepare an ordinance for council action.

SUMMARY:

The city council received a presentation from FSC Group on January 28, 2010 (Attachment B) and discussed the expenditure assumptions on February 25, 2010.

Based on the revenue and expenditure assumptions, the city will need to increase garbage rates by 9% in 2011, 4% in 2012 and 3% in 2013-2015 to achieve the council's goals in the garbage utility. The 9% increase is needed to meet the council's goal of replacing the garbage truck in 2015, cover labor costs to collect and dispose garbage, and create a 45-day cash reserve to cover expenses. Increases in 2012-2015 are needed keep pace with inflation.

In preparing the study, FSC Group and city staff made some expenditure assumptions such as cash flow needed to meet expenditure obligations, labor agreement, cost-of-living adjustment, equipment replacement (e.g. garbage truck), etc. (Attachment C)

The way to temper the proposed rate changes is to examine the expenditure assumptions. The city council made the following decisions at the February 25, 2010 council meeting:

Across the board rate adjustments versus cost of service adjustments. Adopt a cost of service model.

Implement a rate change mid-2010 or January 2011. Implement a cost-of-service rate change in July 2010 to reduce the rate increase for a 32-gallon weekly customer. Delaying implementation means having to raise funds more quickly to build operating reserves and replace the garbage truck. See below for more discussion.

Operating Reserve. Reduce the operating reserve from 60 days to 45 days. This lowers the rate increase for a 32-gallon weekly customer over the life of the study.

The larger the operating reserve the more revenues the utility needs to collect to meet the reserve. The lower the operating reserve the higher the risk of not meeting expenditure obligations. The city does not currently have a separate operating reserve account in the garbage fund. A portion of the rate increase would build an operating reserve.

Equipment replacement (e.g. garbage truck, dumpsters, etc). Finance a portion of the capital investment to replace the garbage truck in 2015. The \$550,000 estimate includes new totes for residential customers and retrofitting the current truck as a back-up unit. This lowers the rate for a 32-gallon weekly customer in the short-term but increases rates after 2015 to cover interest costs. This alternative is not recommended by city staff.

Incentives/costs to reduce excess garbage and encourage recycling. Do not charge more than the cost-of-service for excess garbage. This lowers the rate \$6.61 for the 2- 32 gallon weekly customer and removes the incentive to recycle. This approach also increases the cost for other rate payers. Under the current rate structure, the 2-32 gallon customers are subsidizing other customer classes.

Separate state business and occupation (B&O) taxes from rates. Remove the tax from the rates and create a new line item on the bill for the B&O tax.

Continue the low income senior rate. Continue to subsidize the low income senior rate.

BACKGROUND:

The city council has been reviewing revenues and expenditures in each of the enterprise funds (water, sewer, garbage, stormwater and cemetery) since 2005. Rate studies are part of the council's goal to improve the city's financial health. The council approved a contract with FCS Group in September 2009 to ensure adequate financial resources to fund operations, maintenance and equipment replacement in the city's garbage utility.

The garbage rate study looks at "cost of service" - how much does it cost the city to collect garbage for each customer type?

The study examines the expenditures and revenues in the city's garbage utility – enterprise fund to determine if the current rates are adequate to meet the fund's needs over the next five years.

By state law, the city's garbage utility enterprise fund must pay for itself. This means the city's other revenue funds such as the general fund (property taxes) cannot be used to underwrite the garbage fund and the garbage fund revenues cannot be used to supplement the general fund to cover general government expenses.

DISCUSSION:

Cost-of-Service Proposed Rate Alternatives

After reviewing the cost of service model and the across the board increase, the council directed staff to use the cost of service model.

A cost of service (COS) model - as opposed to an across the board (ATB) increase - bases the garbage rate for each customer class on how much it actually costs the city to pick-up and dispose of garbage.

Cost Pools

There are three "cost pools" in the garbage utility:

1. Fixed costs (overhead)
2. Disposal "tipping" costs (set by Snohomish County)
3. Labor costs (time and labor expense necessary to collect and dispose of collected garbage).

Under the cost of service model, each customer type (weekly, bi-weekly, monthly, commercial 1 yd, commercial 2 yd, etc,) will experience either an increase or decrease in rates depending on the difference between current rates and the calculated cost of service.

The effect of the cost of service analysis is that residential customers would experience a greater than 9% increase in 2010 while commercial customers would experience a decrease. This is because current rates are based totally on volume (disposal) costs and do not take into account the "cost pools".

The city council directed staff to return with two alternatives for council consideration:

1. Full implementation of cost-of-service
2. Phased implementation of cost-of-service

Table 1 below shows the difference between the two alternatives. The model assumes a July 1, 2010 effective date with annual rate adjustments each July 1 until 2015. Attachment B provides the additional details on the cost of service alternatives.

Total Monthly Rate					
Container Size	2010 Sultan Current Rate	2010 COS/Unit Phased Implementation	2010 Increase Phased Implementation	2010 Sultan COS/Unit Full Implementation	2010 Increase Full Implementation
R1 - Monthly 32-gallon	\$ 6.66	\$ 8.73	\$ 2.07	\$ 10.10	\$3.44
R2 - Semimonthly 32-gallon	10.43	12.37	1.94	13.21	2.78
R4 - Weekly 32-gallon	17.95	20.08	2.13	20.46	2.51
R8 - Weekly - 2-32-gallon	40.54	39.39	(1.15)	33.93	(6.61)
CW - Weekly 32-gallon	17.95	20.16	2.21	20.46	2.51
C12 - Semimonthly 1-yard	33.30	42.59	9.29	48.35	15.05
C14 - Weekly 1-yard	66.60	84.20	17.60	94.72	28.12
C18 - Semiweekly 1-yard	131.76	163.31	31.55	180.85	49.09
C22 - Semimonthly 2-yard	66.60	73.20	6.60	72.72	6.12
C24 - Weekly 2-yard	131.76	146.65	14.89	147.53	15.77
C28 - Semiweekly 2-yard	264.96	289.81	24.85	286.48	21.52
C32 - Semimonthly 3-yard	99.90	103.81	3.91	97.09	(2.81)
C34 - Weekly 3-yard	198.36	209.90	11.54	200.35	1.99
C38 - Semiweekly 3-yard	398.17	416.31	18.14	392.10	(6.07)
Extra Garbage	10.14	11.46	1.32	11.70	1.56

FISCAL IMPACT:

This is a very difficult time to consider rate study recommendations. The revenue and expenditure assumptions drive the overall revenue requirements which translate to rates.

The city is required to operate the garbage utility as a separate business or enterprise fund. During the 2008 state audit, the city was asked to address declining fund balances in its enterprise funds. The city responded by noting the council was

implementing rate increases to ensure adequate revenues to cover expenses. The garbage rate study continues the effort to meet state auditor concerns.

The garbage utility is fiscally sound because the council has taken the necessary steps in the past to ensure rates cover current operating expenses and future needs. Ignoring future needs to replace equipment means future councils and garbage utility customers will bear the weight of even higher increases.

ALTERNATIVES:

1. Review the rate study recommendations. Provide direction to staff to return at the March 25, 2010 council meeting with an ordinance for First Reading.

This alternative implies the city council understands the financial analysis provided in the rate study and is prepared to take action.

2. Review the rate study recommendations and cost drivers. Provide direction to staff to return at the March 25, 2010 council meeting with additional information.

This alternative suggests the council has further questions regarding the rate study and needs additional time to consider the financial analysis before taking action. The council may have concerns about the proposed recommendations and want to postpone further action on the rate study findings until a future date.

RECOMMENDED ACTION:

1. Review proposed garbage rate alternatives based on council direction at the February 25, 2010 city council meeting.
2. Select a preferred alternative.
3. Direct staff to prepare an ordinance for council action.

ATTACHMENTS:

- A – Cost of Service Implementation Alternatives
 - B - FCS Group Presentation 01-28-2010
 - C – Overall Revenue Requirements
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COUNCIL ACTION:

DATE:



City of Sultan

Garbage Cost of Service Study

Incorporating City Council Direction
March 11, 2010

Council Direction

- Adopt a cost of service model
- Implement the rate change in July 2010
- Reduce operating reserve from 60 days to 45 days
- Consider financing a portion of the garbage truck purchase
- Do not charge more than the cost of service for excess garbage
- Remove the B&O tax from the rates and show separately
- Continue to subsidize low-income senior rate

Overall Revenue Requirement

Revenue Requirements	2010	2011	2012	2013	2014	2015	2016
Revenues							
Rate Revenues Under Existing Rates	\$ 491,144	\$ 496,055	\$ 501,016	\$ 506,026	\$ 511,086	\$ 516,197	\$ 521,359
Recycling	171,000	172,710	174,437	176,181	177,943	179,723	181,520
Non-Rate Revenues	29,110	27,158	27,512	27,872	28,238	28,611	28,989
Total Revenues	\$ 691,254	\$ 695,923	\$ 702,965	\$ 710,079	\$ 717,268	\$ 724,530	\$ 731,868
Expenses							
Collection Expenses	\$ 106,983	\$ 105,840	\$ 111,592	\$ 117,772	\$ 124,421	\$ 131,579	\$ 139,293
Disposal Expenses	211,300	217,639	224,168	230,893	237,820	244,955	252,303
Administrative Expenses	153,444	160,328	167,647	175,435	183,734	192,585	202,035
Allied Recycling	135,000	140,643	146,522	152,646	159,027	165,674	172,600
Other O&M	30,000	31,039	32,115	33,229	34,382	35,577	36,814
Truck Replacement Cost	49,870	60,510	62,326	64,196	66,121	68,105	70,148
Total Expenses	\$ 686,597	\$ 716,001	\$ 744,371	\$ 774,175	\$ 805,509	\$ 838,480	\$ 873,200
Net Surplus (Deficiency)	\$ 4,657	\$ (20,077)	\$ (41,406)	\$ (64,095)	\$ (88,242)	\$ (113,949)	\$ (141,331)
% of Rate Revenue	-0.95%	4.05%	8.26%	12.67%	17.27%	22.07%	27.11%
<i>Annual Rate Adjustment</i>	9.00%	0.00%	4.00%	3.00%	3.00%	3.00%	3.00%
<i>Cumulative Rate Adjustment</i>	9.00%	9.00%	13.36%	16.76%	20.26%	23.87%	27.59%
Rate Revenues After Rate Increase	\$ 509,562	\$ 540,700	\$ 567,951	\$ 590,840	\$ 614,651	\$ 639,421	\$ 665,190
Additional Taxes from Rate Increase	-	-	-	-	-	-	-
Net Cash Flow After Rate Increase	\$ 23,075	\$ 24,569	\$ 25,532	\$ 20,722	\$ 15,327	\$ 9,280	\$ 2,506

Comparison Partial vs. Full Implementation

Total Monthly Rate							
Container Size	2010 Sultan Current Rate	2010 COS/Unit Phased Implementiaton	2010 Increase Phased Implementation	2010 % Increase Phased Implementation	2010 Sultan COS/Unit Full Implementation	2010 Increase Full Implementation	2010 Sultan % Increase Full Implementation
R1 - Monthly 32-gallon	\$6.66	\$ 8.73	\$ 2.07	24%	\$ 10.10	\$ 3.44	34%
R2 - Semimonthly 32-gallon	10.43	12.37	1.94	16%	13.21	2.78	21%
R4 - Weekly 32-gallon	17.95	20.08	2.13	11%	20.46	2.51	12%
R8 - Weekly - 2-32-gallon	40.54	39.39	(1.15)	-3%	33.93	(6.61)	-19%
CW - Weekly 32-gallon	17.95	20.16	2.21	11%	20.46	2.51	12%
C12 - Semimonthly 1-yard	33.30	42.59	9.29	22%	48.35	15.05	31%
C14 - Weekly 1-yard	66.60	84.20	17.60	21%	94.72	28.12	30%
C18 - Semiweekly 1-yard	131.76	163.31	31.55	19%	180.85	49.09	27%
C22 - Semimonthly 2-yard	66.60	73.20	6.60	9%	72.72	6.12	8%
C24 - Weekly 2-yard	131.76	146.65	14.89	10%	147.53	15.77	11%
C28 - Semiweekly 2-yard	264.96	289.81	24.85	9%	286.48	21.52	8%
C32 - Semimonthly 3-yard	99.90	103.81	3.91	4%	97.09	(2.81)	-3%
C34 - Weekly 3-yard	198.36	209.90	11.54	5%	200.35	1.99	1%
C38 - Semiweekly 3-yard	398.17	416.31	18.14	4%	392.10	(6.07)	-2%
Extra Garbage	10.14	11.46	1.32	12%	11.70	1.56	13%

Get to Full Cost of Service by 2011

Total Rate (Phase in COS by 2011)	Existing Rates	2010	2011	2012	2013	2014	2015
R1 - Monthly 32-gallon	\$ 6.66	\$ 8.73	\$ 10.10	\$ 10.50	\$ 10.82	\$ 11.14	\$ 11.47
R2 - Semimonthly 32-gallon	10.43	12.37	13.21	13.73	14.15	14.57	15.01
R4 - Weekly 32-gallon	17.95	20.08	20.46	21.28	21.92	22.57	23.25
R8 - Weekly - 2-32-gallon	40.54	39.39	33.93	35.29	36.35	37.44	38.56
CW - Weekly 32-gallon	17.95	20.16	20.46	21.28	21.92	22.57	23.25
C12 - Semimonthly 1-yard	33.30	42.59	48.35	50.28	51.79	53.34	54.94
C14 - Weekly 1-yard	66.60	84.20	94.72	98.51	101.47	104.51	107.65
C18 - Semiweekly 1-yard	131.76	163.31	180.85	188.08	193.73	199.54	205.53
C22 - Semimonthly 2-yard	66.60	73.20	72.72	75.63	77.90	80.23	82.64
C24 - Weekly 2-yard	131.76	146.65	147.53	153.44	158.04	162.78	167.66
C28 - Semiweekly 2-yard	264.96	289.81	286.48	297.93	306.87	316.08	325.56
C32 - Semimonthly 3-yard	99.90	103.81	97.09	100.98	104.01	107.13	110.34
C34 - Weekly 3-yard	198.36	209.90	200.35	208.36	214.61	221.05	227.68
C38 - Semiweekly 3-yard	398.17	416.31	392.10	407.78	420.02	432.62	445.60
Extra Garbage	10.14	11.46	11.70	12.17	12.54	12.91	13.30

Immediate Cost of Service Adjustments

Total Rate (Full, Immediate Implementation of COS)	Existing Rates	2010	2011	2012	2013	2014	2015
R1 - Monthly 32-gallon	\$ 6.66	\$ 10.10	\$ 10.10	\$ 10.50	\$ 10.82	\$ 11.14	\$ 11.47
R2 - Semimonthly 32-gallon	10.43	13.21	13.21	13.73	14.15	14.57	15.01
R4 - Weekly 32-gallon	17.95	20.46	20.46	21.28	21.92	22.57	23.25
R8 - Weekly - 2-32-gallon	40.54	33.93	33.93	35.29	36.35	37.44	38.56
CW - Weekly 32-gallon	17.95	20.46	20.46	21.28	21.92	22.57	23.25
C12 - Semimonthly 1-yard	33.30	48.35	48.35	50.28	51.79	53.34	54.94
C14 - Weekly 1-yard	66.60	94.72	94.72	98.51	101.47	104.51	107.65
C18 - Semiweekly 1-yard	131.76	180.85	180.85	188.08	193.73	199.54	205.53
C22 - Semimonthly 2-yard	66.60	72.72	72.72	75.63	77.90	80.23	82.64
C24 - Weekly 2-yard	131.76	147.53	147.53	153.44	158.04	162.78	167.66
C28 - Semiweekly 2-yard	264.96	286.48	286.48	297.93	306.87	316.08	325.56
C32 - Semimonthly 3-yard	99.90	97.09	97.09	100.98	104.01	107.13	110.34
C34 - Weekly 3-yard	198.36	200.35	200.35	208.36	214.61	221.05	227.68
C38 - Semiweekly 3-yard	398.17	392.10	392.10	407.78	420.02	432.62	445.60
Extra Garbage	10.14	11.70	11.70	12.17	12.54	12.91	13.30

Comparison with Surrounding Cities

Total Monthly Rate								
Container Size	2010 Sultan Current Rate	2010 Sultan COS/Unit Full Implementation	2010 COS/Unit Phased Implementiaton	City of Marysville 2010	City of Stanwood (via WM)	City of Monroe (via WM)	City of Granite Falls (via WM)	City of Lake Stevens (via AW)
R1 - Monthly 32-gallon	\$ 6.66	\$ 10.10	\$ 8.73	\$ 10.46	\$ 11.50	\$ 5.10	\$ 11.59	
R2 - Semimonthly 32-gallon	10.43	13.21	12.37		17.10			
R4 - Weekly 32-gallon	17.95	20.46	20.08	21.51	21.10	12.25	18.07	11.06
R8 - Weekly - 2-32-gallon	40.54	33.93	39.39	35.88	28.70	18.74	23.88	28.50
CW - Weekly 32-gallon	17.95	20.46	20.16	21.51	21.10	12.25	18.07	
C12 - Semimonthly 1-yard	33.30	48.35	42.59					
C14 - Weekly 1-yard	66.60	94.72	84.20	96.83				
C18 - Semiweekly 1-yard	131.76	180.85	163.31	193.67				
C22 - Semimonthly 2-yard	66.60	72.72	73.20					
C24 - Weekly 2-yard	131.76	147.53	146.65	166.93				
C28 - Semiweekly 2-yard	264.96	286.48	289.81	333.85				
C32 - Semimonthly 3-yard	99.90	97.09	103.81					
C34 - Weekly 3-yard	198.36	200.35	209.90	228.59				
C38 - Semiweekly 3-yard	398.17	392.10	416.31	457.19				
Extra Garbage	10.14	11.70	11.46	5.82	4.10	2.52	4.14	5.48

City of Sultan

Garbage Cost of Service Study

City Council Meeting
January 28, 2010

Presented by: Angie Sanchez, Senior Project Manager
Sean Senescall, Senior Analyst



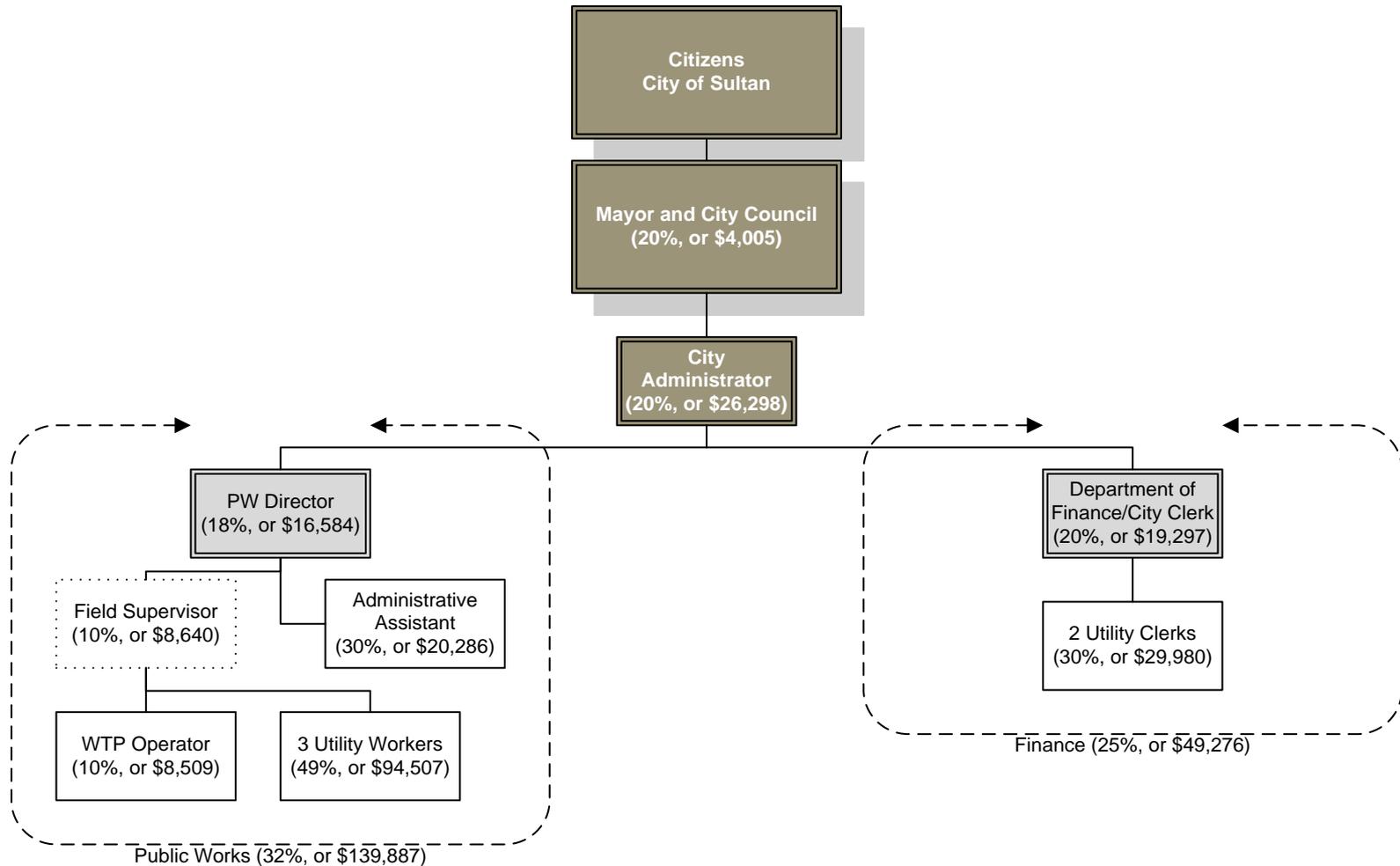
Agenda

- Background
- Policy Considerations
- Overview of Rate Study Process
- Establishment of the Overall Revenue Requirement
- The Cost of Service Process and Findings
- Current vs. Cost of Service Rates
- Summary and Next Steps

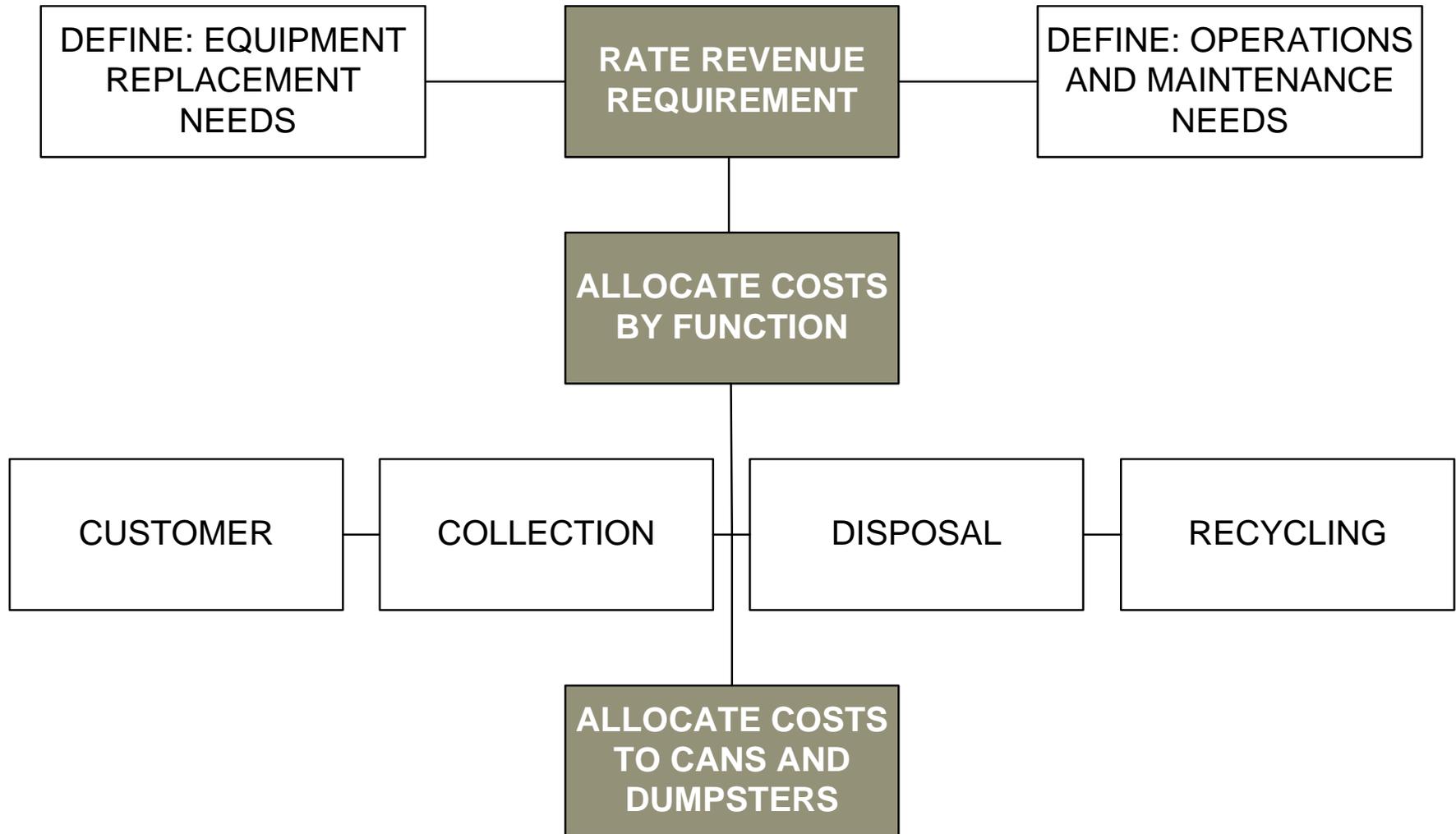
Background

- SW Utility formed in 1964
- City provides residential and commercial solid waste collection to approximately 1,401 residential and 82 commercial accounts.
- City tips solid waste tonnage at local County drop box at a 2010 budgeted cost of \$186K. (~1,800 tons tipped in '09)
- City contracts with Allied Waste, Inc. for residential recycling collection at a 2010 budgeted cost of \$135K.
- Allied Waste, Inc. independently provides commercial recycling collection, as well as yard waste collection.
- Outsourcing garbage collection not effective due to limited staff resources.

Solid Waste Organizational Chart (SW Allocation in Parentheses)



Overview of Rate Study Process



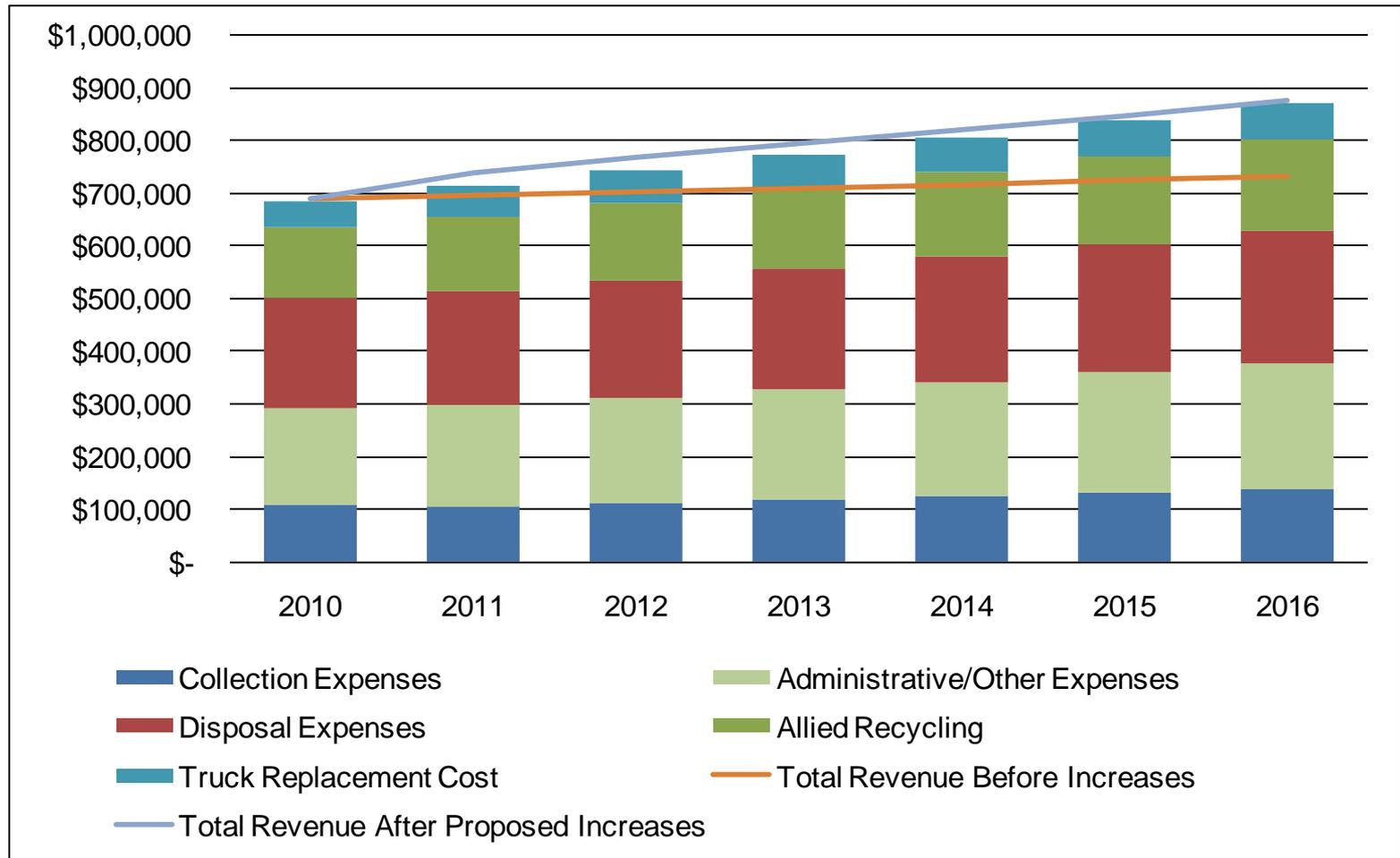
Policy Considerations

- Reserve target = 30,45, or 60 days of O&M?
- Equipment replacement funding level?
- B&O taxes included on end of bill with other taxes?
- Continue low income senior rates?
- Rate for extra can and two (2) cans based on incentive pricing rather than cost of service?
- When should the rate increase take affect?
- Cost-of-Service (COS) implementation – full, partial, or not at all (Across-the-Board (ATB) increase)?
- Include cost of recycling in garbage rate?

Key Expenditure Assumptions

- Major changes in operating and capital expenses:
 - ✓ Utility supervisor position in 2010 (garbage is responsible for 10% of this position's salary and benefits)
 - ✓ Recycling costs, recovered via a separate rate, are increasing by nearly 100% in 2010, after years of staying flat in spite of increased service levels
 - ✓ Disposal costs increased from \$89/ton to \$105/ton in February 2009
 - ✓ Utility targets a minimum fund balance of 60 days of operating and maintenance expenses to cover revenue and expense fluctuations
 - ✓ Rate assumes B&O tax will now be itemized at the bottom of utility bill, along with all other taxes
 - ✓ Truck replacement funding must be increased in order to pay for new garbage truck, totes, and existing truck refurbishment in 2015 (estimated cost of \$550K)

Overall Revenue Requirement



■ Result is a 9% overall rate increase in 2011

✓ Additional 4% in 2012 and 3% thereafter

Overall Revenue Requirement (cont.)

Revenue Requirements	2010	2011	2012	2013	2014	2015	2016
Revenues							
Rate Revenues Under Existing Rates	\$ 491,144	\$ 496,055	\$ 501,016	\$ 506,026	\$ 511,086	\$ 516,197	\$ 521,359
Recycling	171,000	172,710	174,437	176,181	177,943	179,723	181,520
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Total Revenues	\$ 691,254	\$ 695,923	\$ 702,965	\$ 710,079	\$ 717,268	\$ 724,530	\$ 731,868
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Allied Recycling	135,000	140,643	146,522	152,646	159,027	165,674	172,600
Other O&M	30,000	31,039	32,115	33,229	34,382	35,577	36,814
Truck Replacement Cost	49,870	60,510	62,326	64,196	66,121	68,105	70,148
Total Expenses	\$ 686,597	\$ 716,001	\$ 744,371	\$ 774,175	\$ 805,509	\$ 838,480	\$ 873,200
Net Surplus (Deficiency)	\$ 4,657	\$ (20,077)	\$ (41,406)	\$ (64,095)	\$ (88,242)	\$ (113,949)	\$ (141,331)
% of Rate Revenue	-0.95%	4.05%	8.26%	12.67%	17.27%	22.07%	27.11%
<i>Annual Rate Adjustment</i>	0.00%	9.00%	4.00%	3.00%	3.00%	3.00%	3.00%
<i>Cumulative Rate Adjustment</i>	0.00%	9.00%	13.36%	16.76%	20.26%	23.87%	27.59%
Rate Revenues After Rate Increase	\$ 491,144	\$ 540,700	\$ 567,951	\$ 590,840	\$ 614,651	\$ 639,421	\$ 665,190
Additional Taxes from Rate Increase	-	-	-	-	-	-	-
Net Cash Flow After Rate Increase	\$ 4,657	\$ 24,569	\$ 25,532	\$ 20,722	\$ 15,327	\$ 9,280	\$ 2,506

Cost of Service

Cost of Service: Four Functional Cost Pools

- 2011 Functional Allocation of Revenue Requirement (rate revenues after rate increase of \$541K)
- Each line item expense is categorized according to its function, in order to establish functional cost pools:
 - (1) Customer Costs - fixed costs that include City Council, Mayor, Utility Billing, and other overhead salaries and benefits
 - (2) Disposal Costs – mostly variable, include tipping fees, fuel costs, and truck repair and replacement costs
 - (3) Collection Costs – mostly fixed, include all expenses related to collection staff
 - (4) Recycling Costs – Contract with Allied Waste

Cost of Service Findings: 2011 Monthly Rate Components

Monthly Rate Components					
Container Size	Customer	Disposal	Collection	Recycling	Total
R1 - Monthly 32-gallon	\$ 8.59	\$ 1.93	\$ 1.18	\$ (1.61)	\$ 10.10
R2 - Semimonthly 32-gallon	8.59	3.86	2.36	(1.61)	13.21
R4 - Weekly 32-gallon	8.59	8.37	5.10	(1.61)	20.46
R8 - Weekly - 2-32-gallon	8.59	16.73	10.21	(1.61)	33.93
CW - Weekly 32-gallon	8.59	8.37	5.10	(1.61)	20.46
C12 - Semimonthly 1-yard	8.59	24.37	15.38	-	48.35
C14 - Weekly 1-yard	8.59	52.81	33.32	-	94.72
C18 - Semiweekly 1-yard	8.59	105.62	66.63	-	180.85
C22 - Semimonthly 2-yard	8.59	48.75	15.38	-	72.72
C24 - Weekly 2-yard	8.59	105.62	33.32	-	147.53
C28 - Semiweekly 2-yard	8.59	211.25	66.63	-	286.48
C32 - Semimonthly 3-yard	8.59	73.12	15.38	-	97.09
C34 - Weekly 3-yard	8.59	158.44	33.32	-	200.35
C38 - Semiweekly 3-yard	8.59	316.87	66.63	-	392.10
Extra Garbage	8.59	1.93	1.18	-	11.70

Cost of Service: 2011 Customer Allocation

- Each functional cost pool allocated to each container using various factors
 - ✓ Customer costs - \$168K allocated by account (\$8.68 monthly per each account)
 - ✓ Disposal costs - \$278K allocated to each unit of waste volume (\$0.06/gallon)
 - ✓ Collection costs - \$119K allocated to each hour of pickup time spent (\$93.01/hour)*
 - ✓ Recycling costs – \$148K of costs, offset by \$173K of revenues, for a net ~\$25K that can be *credited* to the garbage rate attached to recycling accounts (\$1.61 *credit* monthly per recycling account)**

****Collection route analysis indicates that it takes nearly 7 times as long to pick up a dumpster than it does to pick up a can, and all dumpsters are assumed to take the same amount of time to collect.***

***** Until administration costs of the recycling program are studied, the approximate 20% overhead rate applied to the Allied contract and passed through to solid waste customers appears to create a rebate applicable to residential solid waste customers, to be credited according to the manner in which the costs are incurred.***

Current vs. Cost of Service Monthly Rates

Total Monthly Rate					
Container Size	Current Rate	COS/Unit	ATB/Unit	\$ Increase (COS)	\$ Increase (Across-the-Board)
R1 - Monthly 32-gallon	\$ 6.66	\$ 10.10	\$ 7.26	\$ 3.44	\$ 0.60
R2 - Semimonthly 32-gallon	10.43	13.21	11.37	2.78	0.94
R4 - Weekly 32-gallon	17.95	20.46	19.57	2.51	1.62
R8 - Weekly - 2-32-gallon	40.54	33.93	44.19	(6.61)	3.65
CW - Weekly 32-gallon	17.95	20.46	19.57	2.51	1.62
C12 - Semimonthly 1-yard	33.30	48.35	36.30	15.05	3.00
C14 - Weekly 1-yard	66.60	94.72	72.59	28.12	5.99
C18 - Semiweekly 1-yard	131.76	180.85	143.62	49.09	11.86
C22 - Semimonthly 2-yard	66.60	72.72	72.59	6.12	5.99
C24 - Weekly 2-yard	131.76	147.53	143.62	15.77	11.86
C28 - Semiweekly 2-yard	264.96	286.48	288.81	21.52	23.85
C32 - Semimonthly 3-yard	99.90	97.09	108.89	(2.81)	8.99
C34 - Weekly 3-yard	198.36	200.35	216.21	1.99	17.85
C38 - Semiweekly 3-yard	398.17	392.10	434.01	(6.07)	35.84
Extra Garbage	10.14	11.70	11.05	1.56	0.91

Cost of Service Findings: Total 2011 Revenue Requirement

Container Size	2011 Revenues Under Existing Rates	2011 Cost of Service	\$ 2011 Increase/ (Decrease) - COS	2011 Across-The-Board Increase	\$ 2011 Increase/ (Decrease) - ATB	2011 Accounts
R1 - Monthly 32-gallon	\$ 9,187	\$ 13,722	\$ 4,625	\$ 10,014	\$ 827	113
R2 - Semimonthly 32-gallon	12,092	15,083	3,111	13,180	1,088	95
R4 - Weekly 32-gallon	224,227	253,854	31,848	244,407	20,180	1,034
R8 - Weekly - 2-32-gallon	32,783	27,033	(5,425)	35,733	2,950	66
CW - Weekly 32-gallon	1,114	1,251	148	1,214	100	5
C12 - Semimonthly 1-yard	2,588	3,701	1,139	2,821	233	6
C14 - Weekly 1-yard	11,332	15,879	4,659	12,352	1,020	14
C18 - Semiweekly 1-yard	1,528	2,066	553	1,665	138	1
C22 - Semimonthly 2-yard	4,228	4,549	362	4,609	381	5
C24 - Weekly 2-yard	42,078	46,419	4,758	45,865	3,787	26
C28 - Semiweekly 2-yard	240	255	18	261	22	0
C32 - Semimonthly 3-yard	1,832	1,754	(60)	1,997	165	2
C34 - Weekly 3-yard	93,336	92,877	466	101,736	8,400	39
C38 - Semiweekly 3-yard	32,297	31,334	(643)	35,204	2,907	7
Extra Garbage	27,195	30,922	3,996	29,642	2,448	220
Total	\$ 496,055	\$ 540,700	\$ 44,645	\$ 540,700	\$ 44,645	
			9.0%		9.0%	

R1= Residential can, 1 collection per month

C12= Commercial 1 Yard Container, 2 collections per month

Summary of Cost of Service

- Generally, costs shift towards residential cans and small commercial containers
 - ✓ Departure from simple volume multipliers currently used – some costs are the same regardless of garbage volume
 - ✓ For example, it does not take twice as long to pick up a 2 yard container as it does to pick up a 1 yard container
- Either increase all rates across the board or begin to make adjustments to each class according to COS findings
- Continue Senior Discount program - approximately 15 customers receive a total discount of ~\$1,600 per year as compared to weekly residential rate

Policy Considerations

- Reserve target = 30,45, or 60 days of O&M?
- Equipment replacement funding level?
- B&O taxes included on end of bill with other taxes?
- Continue low income senior rates?
- Rate for extra can and two (2) cans based on incentive pricing rather than cost of service?
- When should the rate increase take affect?
- Cost-of-Service implementation – full, partial, or not at all (Across-the-Board increase)?
- Include cost of recycling in garbage rate?

Policy Decision - Sensitivity

Policy Decision	Impact on 32-gallon weekly customer rate
Reserve Levels	
Reduce Operating Reserve to 45 Days (from 60)	(\$0.75)
Reduce Operating Reserve to 30 Days (from 60)	(1.50)
Equipment Replacement	
Delay Equipment Replacement 2 years	(0.75)
Issue Debt for Equipment Replacement	(1.50)
Implement Rate Increase Mid-2010 (from Dec.)	(0.50)

Summary and Next Steps

- Implement 9% overall rate increase in 2011, followed by a 4% increase in 2012 and a 3% increase in 2013 and annually thereafter
- Cost of service adjustments are warranted:
 - ✓ consider full or partial cost of service implementation, or
 - ✓ across-the-board increases

Questions?

City of Sultan Solid Waste Utility Summary

Revenue Requirements	2010	2011	2012	2013	2014	2015	2016
Revenues							
Rate Revenues Under Existing Rates	\$ 491,144	\$ 496,055	\$ 501,016	\$ 506,026	\$ 511,086	\$ 516,197	\$ 521,359
Recycling	171,000	172,710	174,437	176,181	177,943	179,723	181,520
Non-Rate Revenues	29,110	27,158	27,512	27,872	28,238	28,611	28,989
Total Revenues	\$ 691,254	\$ 695,923	\$ 702,965	\$ 710,079	\$ 717,268	\$ 724,530	\$ 731,868
Expenses							
Collection Expenses	\$ 106,983	\$ 105,840	\$ 111,592	\$ 117,772	\$ 124,421	\$ 131,579	\$ 139,293
Disposal Expenses	211,300	217,639	224,168	230,893	237,820	244,955	252,303
Administrative Expenses	153,444	160,328	167,647	175,435	183,734	192,585	202,035
Allied Recycling	135,000	140,643	146,522	152,646	159,027	165,674	172,600
Other O&M	30,000	31,039	32,115	33,229	34,382	35,577	36,814
Truck Replacement Cost	49,870	60,510	62,326	64,196	66,121	68,105	70,148
Total Expenses	\$ 686,597	\$ 716,001	\$ 744,371	\$ 774,175	\$ 805,509	\$ 838,480	\$ 873,200
Net Surplus (Deficiency)	\$ 4,657	\$ (20,077)	\$ (41,406)	\$ (64,095)	\$ (88,242)	\$ (113,949)	\$ (141,331)
% of Rate Revenue	-0.95%	4.05%	8.26%	12.67%	17.27%	22.07%	27.11%
<i>Annual Rate Adjustment</i>	0.00%	9.00%	4.00%	3.00%	3.00%	3.00%	3.00%
<i>Cumulative Rate Adjustment</i>	0.00%	9.00%	13.36%	16.76%	20.26%	23.87%	27.59%
Rate Revenues After Rate Increase	\$ 491,144	\$ 540,700	\$ 567,951	\$ 590,840	\$ 614,651	\$ 639,421	\$ 665,190
Additional Taxes from Rate Increase	-	-	-	-	-	-	-
Net Cash Flow After Rate Increase	\$ 4,657	\$ 24,569	\$ 25,532	\$ 20,722	\$ 15,327	\$ 9,280	\$ 2,506

**City of Sultan
Solid Waste Utility
Summary**

Fund Balances	2010	2011	2012	2013	2014	2015	2016
Operating Fund 402:							
Beginning Balance	\$ 87,336	\$ 91,994	\$ 116,562	\$ 142,094	\$ 162,815	\$ 178,142	\$ 187,422
Net Cash Flow after Rate Increase	4,657	24,569	25,532	20,722	15,327	9,280	2,506
Less: Cash-Funded Capital Projects	-	-	-	-	-	-	-
Ending Balance	91,994	116,562	142,094	162,815	178,142	187,422	189,927
<i>Less: Min. Operating 60 Day Target</i>	\$ 112,865	\$ 117,699	\$ 122,362	\$ 127,261	\$ 132,412	\$ 137,831	\$ 143,539
Target Balance Surplus (Shortfall)	\$ (20,872)	\$ (1,137)	\$ 19,732	\$ 35,554	\$ 45,730	\$ 49,590	\$ 46,389
IT/Truck Replacement Fund 104:							
Beginning Balance	\$ 178,872	\$ 228,742	\$ 289,252	\$ 351,578	\$ 415,774	\$ 481,895	\$ -
Plus: Transfers in	49,870	60,510	62,326	64,196	66,121	68,105	70,148
Less: Cash-Funded Capital Projects	-	-	-	-	-	(550,000)	-
Ending Balance	228,742	289,252	351,578	415,774	481,895	0	70,148

**City of Sultan
Solid Waste Utility
Input of Data and Assumptions**

Economic & Financial Factors	2009	2010	2011	2012	2013	2014	2015	2016
1 General Cost Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
2 Labor Cost Inflation - CPI-W	3.07%	0.40%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%
3 Customer Growth	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
4 Salary Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5 Benefits Growth	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
7 State Excise Tax	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%
8 State B&O Tax	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
9 Sultan City Tax	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
10 Fund Earnings	0.30%	1.00%	2.00%	3.50%	3.50%	3.50%	3.50%	3.50%
11 CPI-U (Allied Contract)	0.00%	0.00%	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%
12 CPI-U Plus Growth	0.00%	0.00%	4.18%	4.18%	4.18%	4.18%	4.18%	4.18%
13 Labor Cost Inflation plus Account Growth	3.07%	0.40%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%
15 General Inflation plus Account Growth	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Accounting Assumptions	2009	2010	2011	2012	2013	2014	2015	2016
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402 Garbage and Refuse

Total Beginning Balance	\$ 108,078							
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FISCAL POLICY RESTRICTIONS

Minimum Working Capital (days of O&M expense)	60	60	60	60	60	60	60	60
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REPLACEMENT FUNDING

5 Annual Depreciation less Debt Principle	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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- 1 Do Not Fund Replacement Separate From CIP
- 2 Rate-Fund Replacement per Annual Depreciation
- 3 Rate-Fund Replacement per Project Costs in CIP
- 4 Rate Fund Replacement per Amount at Right
- 5 Annual Depreciation less Debt Principle

	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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RESERVE UTILIZATION

Use of Cash Reserves to Meet Annual Obligations								
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EXTERNAL FUNDING

Annual Amount of Interfund Assistance								
Annual Repayment of Interfund Loans								

INTERFUND LOANS BORROWED FROM SW UTILITY

Annual Amount of Interfund Loans Given								
Annual Payments Received from Interfund Loans								

**City of Sultan
Solid Waste Utility**

Input of Data and Assumptions

Annual Principal Payment
Total Annual Payment

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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Comprehensive Plan Information

	2005	2006	2007	2008	2009	2010	2011	2012
City Population Projections	4,440	4,744	5,049	5,353	4,555	4,859	5,164	6,570
Annual Increase		304	304	304	(798)	304	304	1,406
		6.85%	6.41%	6.03%	-14.91%	6.68%	6.26%	27.24%

**City of Sultan
Solid Waste Utility
Escalation of Revenues and Expenses (Fund 402)**

		Budget	Budget/ Projected	Projected	Projected	Projected	Projected	Projected	Projected
FORECAST BASIS		2009	2010	2011	2012	2013	2014	2015	2016
Revenues:									
Franchise Fees [a]	3 Customer Growth	\$ 1,700	\$ 2,500	\$ 2,525	\$ 2,550	\$ 2,576	\$ 2,602	\$ 2,628	\$ 2,654
Coordinated Prevention Grant Revenues	3 Customer Growth	\$ -	\$ 2,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Garbage/Solid Waste Service	3 Customer Growth	\$ 491,144	\$ 491,144	\$ 496,055	\$ 501,016	\$ 506,026	\$ 511,086	\$ 516,197	\$ 521,359
Recycling	3 Customer Growth	\$ 68,000	\$ 171,000	\$ 172,710	\$ 174,437	\$ 176,181	\$ 177,943	\$ 179,723	\$ 181,520
Dumpster Rental Fees	3 Customer Growth	\$ 18,000	\$ 20,010	\$ 20,210	\$ 20,412	\$ 20,616	\$ 20,822	\$ 21,031	\$ 21,241
Dumpster Delivery Charges	3 Customer Growth	\$ 300	\$ 300	\$ 303	\$ 306	\$ 309	\$ 312	\$ 315	\$ 318
Miscellaneous	1 General Cost Inflation	\$ 2,500	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776
Total Revenues		\$ 581,644	\$ 691,254	\$ 695,923	\$ 702,965	\$ 710,079	\$ 717,268	\$ 724,530	\$ 731,868
Expenses:									
Salaries and Wages:	13 Labor Cost Inflation plus Account Growth	\$ 166,162		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mayor/Council (7)	4 Salary Growth		3,720	3,832	3,947	4,065	4,187	4,312	4,442
Administrator	4 Salary Growth		20,588	21,205	21,841	22,497	23,172	23,867	24,583
City Clerk/Department of Finance	4 Salary Growth		14,477	14,911	15,359	15,819	16,294	16,783	17,286
Utility Clerk	4 Salary Growth		10,720	11,041	11,372	11,714	12,065	12,427	12,800
Administrative Assistant	4 Salary Growth		14,952	15,400	15,862	16,338	16,828	17,333	17,853
Utility Clerk	4 Salary Growth		10,720	11,041	11,372	11,714	12,065	12,427	12,800
Public Works Director	4 Salary Growth		13,123	13,517	13,922	14,340	14,770	15,213	15,670
Water Plant Operator	4 Salary Growth		5,520	5,685	5,856	6,032	6,213	6,399	6,591
Utility Worker	4 Salary Growth		15,785	16,259	16,747	17,249	17,767	18,300	18,849
Utility Worker	4 Salary Growth		22,740	23,423	24,125	24,849	25,595	26,362	27,153
Utility Worker	4 Salary Growth		22,740	23,423	24,125	24,849	25,595	26,362	27,153
Field Supervisor (Jan 2010)	4 Salary Growth		7,200	7,416	7,638	7,868	8,104	8,347	8,597
Benefits:	13 Labor Cost Inflation plus Account Growth	60,843		-	-	-	-	-	-
Mayor/Council (7)	5 Benefits Growth		285	313	344	379	417	458	504
Administrator	5 Benefits Growth		5,710	6,281	6,909	7,600	8,360	9,196	10,116
City Clerk/Department of Finance	5 Benefits Growth		4,820	5,302	5,832	6,415	7,056	7,762	8,538
Utility Clerk	5 Benefits Growth		4,748	5,223	5,745	6,320	6,952	7,647	8,411
Administrative Assistant	5 Benefits Growth		5,335	5,868	6,455	7,100	7,810	8,591	9,450
Utility Clerk	5 Benefits Growth		3,792	4,172	4,589	5,048	5,553	6,108	6,719
Public Works Director	5 Benefits Growth		3,461	3,807	4,188	4,607	5,068	5,574	6,132
Water Plant Operator	5 Benefits Growth		2,989	3,288	3,617	3,979	4,377	4,814	5,296
Utility Worker	5 Benefits Growth		4,925	5,418	5,959	6,555	7,211	7,932	8,725
Utility Worker	5 Benefits Growth		15,810	17,391	19,130	21,044	23,148	25,463	28,009
Utility Worker	5 Benefits Growth		12,506	13,756	15,132	16,645	18,309	20,140	22,154
Field Supervisor (Jan 2010)	5		1,440	1,584	1,742	1,917	2,108	2,319	2,551
Uniforms	13 Labor Cost Inflation plus Account Growth	703	1,500	1,561	1,625	1,691	1,759	1,831	1,906
Contract Labor	13 Labor Cost Inflation plus Account Growth	-	-	-	-	-	-	-	-
Operating Supplies	1 General Cost Inflation	1,703	2,400	2,472	2,546	2,623	2,701	2,782	2,866
Office Supplies	1 General Cost Inflation	5,196	6,000	6,180	6,365	6,556	6,753	6,956	7,164
Small Tools/Minor Equipment	1 General Cost Inflation	566	900	927	955	983	1,013	1,043	1,075
Vehicle Operation/Maintenance	1 General Cost Inflation	12,962	10,000	10,300	10,609	10,927	11,255	11,593	11,941
Vehicle Repair	1 General Cost Inflation	72	1,000	1,030	1,061	1,093	1,126	1,159	1,194
Professional Services	13 Labor Cost Inflation plus Account Growth	38,411	13,000	13,529	14,080	14,653	15,249	15,869	16,515
Professional - Legal	13 Labor Cost Inflation plus Account Growth	1,658	6,500	-	-	-	-	-	-
Communication	1 General Cost Inflation	7,725	7,200	7,416	7,638	7,868	8,104	8,347	8,597
Travel and Seminars	1 General Cost Inflation	1,130	1,000	1,030	1,061	1,093	1,126	1,159	1,194
Insurance	1 General Cost Inflation	11,819	13,000	13,390	13,792	14,205	14,632	15,071	15,523
Utilities	1 General Cost Inflation	3,514	4,000	4,120	4,244	4,371	4,502	4,637	4,776
Repair and Maintenance	1 General Cost Inflation	2,126	1,600	1,648	1,697	1,748	1,801	1,855	1,910
Miscellaneous	1 General Cost Inflation	6,602	4,046	4,167	4,292	4,421	4,554	4,690	4,831

**City of Sultan
Solid Waste Utility
Escalation of Revenues and Expenses (Fund 402)**

	FORECAST BASIS	Budget 2009	Budget/ Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Intergovernmental - Disposal	1 General Cost Inflation	179,299	186,000	191,580	197,327	203,247	209,345	215,625	222,094
Intergovernmental - Recycling	12 CPI-U Plus Growth	71,577	135,000	140,643	146,522	152,646	159,027	165,674	172,600
State B&O Tax [a]	CALCULATED	-	-	-	-	-	-	-	-
Capital Outlay - Buildings	1 General Cost Inflation	-	-	-	-	-	-	-	-
Capital Outlay - Equipment	1 General Cost Inflation	5,317	11,000	11,330	11,670	12,020	12,381	12,752	13,135
Operating Transfer Out - Fund 104 (IT)	1 General Cost Inflation	4,345	4,475	4,610	4,748	4,890	5,037	5,188	5,344
Operating Transfer Out - Fund 104 (Truck Replacement)	1 General Cost Inflation	20,655	49,870	60,510	62,326	64,196	66,121	68,105	70,148
Additional O&M From CIP	CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses		\$ 602,385	\$ 686,597	\$ 716,000	\$ 744,369	\$ 774,172	\$ 805,505	\$ 838,475	\$ 873,194

[a] City utility tax and State Excise Tax are itemized at the end of the bill, so these are excluded from the rate analysis as pass-through charges
B&O tax is also treated as though it will be itemized at the end of the bill, even though it is currently rolled into the rate

**City of Sultan
Solid Waste Utility
Cash**

Operating Fund 402	2009	2010	2011	2012	2013	2014	2015	2016
Beginning Balance	\$ 108,078	\$ 87,336	\$ 91,994	\$ 116,562	\$ 142,094	\$ 162,815	\$ 178,142	\$ 187,422
plus: Net Cash Flow after Rate Increase	(20,741)	4,657	24,569	25,532	20,722	15,327	9,280	2,506
less: Cash-Funded CIP	-	-	-	-	-	-	-	-
Ending Balance	\$ 87,336	\$ 91,994	\$ 116,562	\$ 142,094	\$ 162,815	\$ 178,142	\$ 187,422	\$ 189,927
<i>Minimum Target Balance</i>	<i>99,022</i>	<i>112,865</i>	<i>117,699</i>	<i>122,362</i>	<i>127,261</i>	<i>132,412</i>	<i>137,831</i>	<i>143,539</i>
<i>Info: No of Days of Cash Operating Expenses</i>	<i>53</i>	<i>49</i>	<i>59</i>	<i>70</i>	<i>77</i>	<i>81</i>	<i>82</i>	<i>79</i>

**City of Sultan
Solid Waste Utility
Functional Allocation**

Allocation of Operating Expenses

Test Year =>		2011						
OPERATING EXPENSE	TOTAL COSTS	FUNCTIONS OF SW SERVICE			AS ALL OTHERS	TOTAL	ALLOCATION BASIS	
		CUSTOMER	COLLECTION / DISPOSAL	RECYCLING				
Salaries and Wages:	-	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Mayor/Council (7)	3,832	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Administrator	21,205	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
City Clerk/Department of Finance	14,911	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Utility Clerk	11,041	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Administrative Assistant	15,400	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Utility Clerk	11,041	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Public Works Director	13,517	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Water Plant Operator	5,685	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Utility Worker	16,259	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Utility Worker	23,423	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Utility Worker	23,423	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Field Supervisor (Jan 2010)	7,416	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Benefits:	-							
Mayor/Council (7)	313	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Administrator	6,281	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
City Clerk/Department of Finance	5,302	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Utility Clerk	5,223	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Administrative Assistant	5,868	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Utility Clerk	4,172	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Public Works Director	3,807	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Water Plant Operator	3,288	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Utility Worker	5,418	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Utility Worker	17,391	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Utility Worker	13,756	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Field Supervisor (Jan 2010)	1,584	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Uniforms	1,561	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Contract Labor	-	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Operating Supplies	2,472	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Office Supplies	6,180	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Small Tools/Minor Equipment	927	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Vehicle Operation/Maintenance	10,300	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Vehicle Repair	1,030	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Professional Services	13,529	0.00%	0.00%	0.00%	100.00%	100.00%	100% As All Other	
Professional - Legal	-	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal	
Communication	7,416	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	
Travel and Seminars	1,030	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer	

**City of Sultan
Solid Waste Utility
Functional Allocation**

Insurance	13,390	0.00%	0.00%	0.00%	100.00%	100.00%	100% As All Other
Utilities	4,120	0.00%	0.00%	0.00%	100.00%	100.00%	100% As All Other
Repair and Maintenance	1,648	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer
Miscellaneous	4,167	0.00%	0.00%	0.00%	100.00%	100.00%	100% to Customer
Intergovernmental - Disposal	191,580	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal
Intergovernmental - Recycling	140,643	0.00%	0.00%	100.00%	0.00%	100.00%	100% to Recycling
State B&O Tax [a]	-	0.00%	0.00%	0.00%	100.00%	100.00%	As All Others
Capital Outlay - Buildings	-	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal
Capital Outlay - Equipment	11,330	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal
Operating Transfer Out - Fund 104 (IT)	4,610	100.00%	0.00%	0.00%	0.00%	100.00%	100% to Customer
Operating Transfer Out - Fund 104 (Truck Replacement)	60,510	0.00%	100.00%	0.00%	0.00%	100.00%	100% to Collection/Disposal
[Other]	-	0.00%	100.00%	0.00%	0.00%	100.00%	
Additional O&M From CIP	-	50.00%	50.00%	0.00%	0.00%	100.00%	None Specified
Total Operating Expenses	\$ 716,000	\$ 160,770	\$ 379,380	\$ 140,643	\$ 35,206	\$ 716,000	
SW Service Functions		23.62%	55.73%	20.66%		100.00%	
Allocation of "As All Others"		\$ 8,314	\$ 19,619	\$ 7,273	\$ (35,206)	\$ -	
TOTAL	\$ 716,000	\$ 169,084	\$ 398,999	\$ 147,916	\$ -	\$ 716,000	
Allocation Percentages		100.00%	23.62%	55.73%	20.66%	0.00%	100.00%

Allocation of Revenue Requirement

Revenue Requirement	Assessed Cost in (2011)	CUSTOMER	COLLECTION / DISPOSAL	RECYCLING	AS ALL OTHERS	Total	Allocation Basis
Operating Expenses	\$ 716,000	23.62%	55.73%	20.66%	0.00%	100.00%	As Operating Expenses
Capital Expenses	-	0.00%	0.00%	0.00%	0.00%	0.00%	As Capital Expenses
Total Expenses	\$ 716,000	23.62%	55.73%	20.66%	0.00%	100.00%	
Less: Other Revenue (including Interest Earnings)	(27,158)	0.00%	0.00%	0.00%	100.00%	100.00%	As All Others
Less: Recycling Revenues	(172,710)	0.00%	0.00%	100.00%	0.00%	100.00%	100% to Recycling
Plus: Cash Flow Surplus (Deficit)	24,569	0.00%	0.00%	0.00%	100.00%	100.00%	As All Others
Total Revenue Requirement	\$ 540,700	\$ 169,084	\$ 398,999	\$ (24,794)	\$ (2,590)	\$ 540,700	
Allocation of "As All Others"		\$ (612)	\$ (1,443)	\$ (535)	\$ 2,590		
Net Revenue Requirement	\$ 540,700	\$ 168,473	\$ 397,556	\$ (25,329)	\$ -	\$ 540,700	
		31.16%	73.53%	-4.68%	0.00%	100.00%	
			COLLECTION / DISPOSAL	RECYCLING	AS ALL OTHERS	Total	

**City of Sultan
Solid Waste Utility
Customer Allocation**

Test Year

2011

Allocation of Customer Costs to Customer Classes

CUSTOMER [a]		\$ 168,473		
Container Size	Allocation Basis	Allocated	Allocated	Monthly Unit Cost
	Number of Accounts	% Share	Cost	(per account)
R1 - Monthly 32-gallon	113	6.93%	\$ 11,679.72	\$ 8.68
R2 - Semimonthly 32-gallon	95	5.83%	\$ 9,815.44	\$ 8.68
R4 - Weekly 32-gallon [b]	1,034	63.29%	\$ 106,626.86	\$ 8.68
R8 - Weekly - 2-32-gallon	66	4.06%	\$ 6,846.55	\$ 8.68
CW - Weekly 32-gallon	5	0.31%	\$ 525.54	\$ 8.68
C12 - Semimonthly 1-yard	6	0.39%	\$ 657.96	\$ 8.68
C14 - Weekly 1-yard	14	0.86%	\$ 1,440.58	\$ 8.68
C18 - Semiweekly 1-yard	1	0.06%	\$ 98.18	\$ 8.68
C22 - Semimonthly 2-yard	5	0.32%	\$ 537.55	\$ 8.68
C24 - Weekly 2-yard	26	1.60%	\$ 2,703.85	\$ 8.68
C28 - Semiweekly 2-yard	0	0.00%	\$ 7.66	\$ 8.68
C32 - Semimonthly 3-yard	2	0.09%	\$ 155.24	\$ 8.68
C34 - Weekly 3-yard	39	2.36%	\$ 3,983.86	\$ 8.68
C38 - Semiweekly 3-yard	7	0.41%	\$ 686.76	\$ 8.68
Extra Garbage	220	13.48%	\$ 22,707.04	\$ 8.68
TOTAL ALL	1,634	100.00%	\$ 168,473	

[a] from customer billing data

[b] R4 and RS are combined because they receive the same level of service

City of Sultan Solid Waste Utility Customer Allocation

Test Year

2011

Allocation of Collection/Disposal Costs to Customer Classes

Percent of COLLECTION / DISPOSAL Costs Allocated to Tonnage Potential

70%

OK

Method 1: Assumes same density of material in containers and cans

DISPOSAL, or Tonnage Potential (Volume) \$ 278,289 Select Allocation Methodology:

1

Container Size	Lbs. Per Gallon - 2009 Estimated	Est. Number of Cans/ Containers	Annualized 2009 Total Volume Potential, Gal.	Annualized Total 2009 Tonnage (lbs.)	% Share	Allocated Annual Cost	Unit Cost	Unit Cost	Unit Cost
							Monthly Container Rate	Cost/Lb.	Cost / Potential Gallon
R1 - Monthly 32-gallon	0.7709	113	43,061	33,196	0.94%	\$ 2,624	\$ 1.93	\$ 0.08	\$ 0.06
R2 - Semimonthly 32-gallon	0.7709	95	72,375	55,796	1.59%	\$ 4,411	\$ 3.86	\$ 0.08	\$ 0.06
R4 - Weekly 32-gallon [b]	0.7709	1034	1,703,493	1,313,253	37.31%	\$ 103,819	\$ 8.37	\$ 0.08	\$ 0.06
R8 - Weekly - 2-32-gallon	0.7709	66	218,764	168,649	4.79%	\$ 13,333	\$ 16.73	\$ 0.08	\$ 0.06
CW - Weekly 32-gallon	0.7709	5	8,396	6,473	0.18%	\$ 512	\$ 8.37	\$ 0.08	\$ 0.06
C12 - Semimonthly 1-yard	0.7709	6	30,621	23,607	0.67%	\$ 1,866	\$ 24.37	\$ 0.08	\$ 0.06
C14 - Weekly 1-yard	0.7709	14	145,263	111,986	3.18%	\$ 8,853	\$ 52.81	\$ 0.08	\$ 0.06
C18 - Semiweekly 1-yard	0.7709	1	19,800	15,264	0.43%	\$ 1,207	\$ 105.62	\$ 0.08	\$ 0.06
C22 - Semimonthly 2-yard	0.7709	5	50,035	38,573	1.10%	\$ 3,049	\$ 48.75	\$ 0.08	\$ 0.06
C24 - Weekly 2-yard	0.7709	26	545,295	420,378	11.94%	\$ 33,233	\$ 105.62	\$ 0.08	\$ 0.06
C28 - Semiweekly 2-yard	0.7709	0	3,089	2,381	0.07%	\$ 188	\$ 211.25	\$ 0.08	\$ 0.06
C32 - Semimonthly 3-yard	0.7709	2	21,674	16,709	0.47%	\$ 1,321	\$ 73.12	\$ 0.08	\$ 0.06
C34 - Weekly 3-yard	0.7709	39	1,205,160	929,080	26.39%	\$ 73,448	\$ 158.44	\$ 0.08	\$ 0.06
C38 - Semiweekly 3-yard	0.7709	7	415,501	320,317	9.10%	\$ 25,323	\$ 316.87	\$ 0.08	\$ 0.06
Extra Garbage	0.7709	220	83,717	64,539	1.83%	\$ 5,102	\$ 1.93	\$ 0.08	\$ 0.06
TOTAL		1,634	4,566,246	3,520,200	100.00%	\$ 278,289			
		Landfill Report		3,520,200					

The density in all cans and containers is assumed to be equal

City of Sultan Solid Waste Utility Customer Allocation

Test Year

2011

Allocation of Collection/Disposal Costs to Customer Classes

Percent of COLLECTION / DISPOSAL Costs Allocated to Collection Time Spent
30%

COLLECTION, or Pickup Time Spent [a] **\$ 119,267**

Cans/Containers	2009 Annual Pickup Minutes (Est.)	% Share	Allocated Annual Cost	Est. Number of Cans/Containers	Unit Cost (per can/container pickup hour)	Annual Unit Cost (per actual can/container)	Monthly Unit Cost (per actual can/container)
Pickup time per can, minutes	0.76						
R1 - Monthly 32-gallon	1033	1.3%	\$ 1,601	113	\$ 93.01	\$ 14.14	\$ 1.18
R2 - Semimonthly 32-gallon	1736	2.3%	\$ 2,691	95	\$ 93.01	\$ 28.27	\$ 2.36
R4 - Weekly 32-gallon [b]	40863	53.1%	\$ 63,340	1034	\$ 93.01	\$ 61.26	\$ 5.10
R8 - Weekly - 2-32-gallon	5248	6.8%	\$ 8,134	66	\$ 93.01	\$ 122.52	\$ 10.21
CW - Weekly 32-gallon	201	0.3%	\$ 312	5	\$ 93.01	\$ 61.26	\$ 5.10
Pickup time per dumpster, min	4.96						
C12 - Semimonthly 1-yard	760	1.0%	\$ 1,177	6	\$ 93.01	\$ 184.52	\$ 15.38
C14 - Weekly 1-yard	3603	4.7%	\$ 5,585	14	\$ 93.01	\$ 399.80	\$ 33.32
C18 - Semiweekly 1-yard	491	0.6%	\$ 761	1	\$ 93.01	\$ 799.60	\$ 66.63
C22 - Semimonthly 2-yard	621	0.8%	\$ 962	5	\$ 93.01	\$ 184.52	\$ 15.38
C24 - Weekly 2-yard	6763	8.8%	\$ 10,483	26	\$ 93.01	\$ 399.80	\$ 33.32
C28 - Semiweekly 2-yard	38	0.0%	\$ 59	0	\$ 93.01	\$ 799.60	\$ 66.63
C32 - Semimonthly 3-yard	179	0.2%	\$ 278	2	\$ 93.01	\$ 184.52	\$ 15.38
C34 - Weekly 3-yard	9964	12.9%	\$ 15,445	39	\$ 93.01	\$ 399.80	\$ 33.32
C38 - Semiweekly 3-yard	3435	4.5%	\$ 5,325	7	\$ 93.01	\$ 799.60	\$ 66.63
Extra Garbage	2008.15	2.6%	\$ 3,113	220	\$ 93.01	\$ 14.14	\$ 1.18
TOTAL	76,942	100%	119,267	1,634			

[a] What matters are the ratios of the various components to each other, since these ratios effectively divide the cost amongst the various components according to the system load.

**City of Sultan
Solid Waste Utility
Customer Allocation**

Test Year

2011

Allocation of Recycling Costs to Customer Classes

RECYCLING		\$ (25,329)		Option 1: Allocate Recycling Costs as they are incurred	
				Option 2: Allocate Recycling Costs according to customer contribution to solid waste tonnage	
				Unit Cost	
Solid Waste Container Size	Corresponding Recycling Container Size	Number of Accounts	% Share	Allocated Annual Total Cost	(Monthly, per Account)
R1 - Monthly 32-gallon	96 Gallon	113	8.6%	\$ (2,183)	\$ (1.61)
R2 - Semimonthly 32-gallon	96 Gallon	95	7.2%	\$ (1,835)	\$ (1.61)
R4 - Weekly 32-gallon [b]	96 Gallon	1,034	78.7%	\$ (19,932)	\$ (1.61)
R8 - Weekly - 2-32-gallon	96 Gallon	66	5.1%	\$ (1,280)	\$ (1.61)
CW - Weekly 32-gallon Extra Garbage	96 Gallon	5	0.4%	\$ (98)	\$ (1.61)
Recycling Total		1,314	100%	\$ (25,329)	

City of Sultan Solid Waste Utility Customer Allocation

Test Year

2011

Distribution of Total Revenue Requirement					
Container Size	Customer	Disposal	Collection	Recycling	Total
R1 - Monthly 32-gallon	\$ 11,680	\$ 2,624	\$ 1,601	\$ (2,183)	\$ 13,722
R2 - Semimonthly 32-gallon	9,815	4,411	2,691	(1,835)	15,083
R4 - Weekly 32-gallon [b]	106,627	103,819	63,340	(19,932)	253,854
R8 - Weekly - 2-32-gallon	6,847	13,333	8,134	(1,280)	27,033
CW - Weekly 32-gallon	526	512	312	(98)	1,251
C12 - Semimonthly 1-yard	658	1,866	1,177		3,701
C14 - Weekly 1-yard	1,441	8,853	5,585		15,879
C18 - Semiweekly 1-yard	98	1,207	761		2,066
C22 - Semimonthly 2-yard	538	3,049	962		4,549
C24 - Weekly 2-yard	2,704	33,233	10,483		46,419
C28 - Semiweekly 2-yard	8	188	59		255
C32 - Semimonthly 3-yard	155	1,321	278		1,754
C34 - Weekly 3-yard	3,984	73,448	15,445		92,877
C38 - Semiweekly 3-yard	687	25,323	5,325		31,334
Extra Garbage	22,707	5,102	3,113		30,922
TOTAL ALL	\$ 168,473	\$ 278,289	\$ 119,267	\$ (25,329)	\$ 540,700

OK

City of Sultan Solid Waste Utility Customer Allocation

Test Year

2011

Total Monthly Rate					
Container Size	Current Rate	COS/Unit	ATB/Unit	\$ Increase (COS)	\$ Increase (Across-the-Board)
R1 - Monthly 32-gallon	\$ 6.66	\$ 10.10	\$ 7.26	\$ 3.44	\$ 0.60
R2 - Semimonthly 32-gallon	10.43	13.21	11.37	2.78	0.94
R4 - Weekly 32-gallon	17.95	20.46	19.57	2.51	1.62
R8 - Weekly - 2-32-gallon	40.54	33.93	44.19	(6.61)	3.65
CW - Weekly 32-gallon	17.95	20.46	19.57	2.51	1.62
C12 - Semimonthly 1-yard	33.30	48.35	36.30	15.05	3.00
C14 - Weekly 1-yard	66.60	94.72	72.59	28.12	5.99
C18 - Semiweekly 1-yard	131.76	180.85	143.62	49.09	11.86
C22 - Semimonthly 2-yard	66.60	72.72	72.59	6.12	5.99
C24 - Weekly 2-yard	131.76	147.53	143.62	15.77	11.86
C28 - Semiweekly 2-yard	264.96	286.48	288.81	21.52	23.85
C32 - Semimonthly 3-yard	99.90	97.09	108.89	(2.81)	8.99
C34 - Weekly 3-yard	198.36	200.35	216.21	1.99	17.85
C38 - Semiweekly 3-yard	398.17	392.10	434.01	(6.07)	35.84
Extra Garbage	10.14	11.70	11.05	1.56	0.91

Container Size	2011 Revenues Under Existing Rates	2011 Cost of Service	\$ 2011 Increase/ (Decrease) - COS	2011 Across-The-Board Increase	\$ 2011 Increase/ (Decrease) - ATB	2011 Accounts
R1 - Monthly 32-gallon	\$ 9,187	\$ 13,722	\$ 4,625	\$ 10,014	\$ 827	113
R2 - Semimonthly 32-gallon	12,092	15,083	3,111	13,180	1,088	95
R4 - Weekly 32-gallon	224,227	253,854	31,848	244,407	20,180	1,034
R8 - Weekly - 2-32-gallon	32,783	27,033	(5,425)	35,733	2,950	66
CW - Weekly 32-gallon	1,114	1,251	148	1,214	100	5
C12 - Semimonthly 1-yard	2,588	3,701	1,139	2,821	233	6
C14 - Weekly 1-yard	11,332	15,879	4,659	12,352	1,020	14
C18 - Semiweekly 1-yard	1,528	2,066	553	1,665	138	1
C22 - Semimonthly 2-yard	4,228	4,549	362	4,609	381	5
C24 - Weekly 2-yard	42,078	46,419	4,758	45,865	3,787	26
C28 - Semiweekly 2-yard	240	255	18	261	22	0
C32 - Semimonthly 3-yard	1,832	1,754	(60)	1,997	165	2
C34 - Weekly 3-yard	93,336	92,877	466	101,736	8,400	39
C38 - Semiweekly 3-yard	32,297	31,334	(643)	35,204	2,907	7
Extra Garbage	27,195	30,922	3,996	29,642	2,448	220
Total	\$ 496,055	\$ 540,700	\$ 44,645	\$ 540,700	\$ 44,645	
			9.0%		9.0%	

10.10
13.21
20.46
33.93
20.46
48.35
94.72
180.85
72.72
147.53
286.48
97.09
200.35
392.10
11.70

**City of Sultan
Solid Waste Utility
Can Count - December 2006 Snapshot**

Customer Type	2009 Average Cans/ Dumpsters	Can Size, gallons	Can Size, Yards	Frequency, per yr.	Total Pickups Per Year 2009	Total Volume Potential, gallons
R1 - Monthly 32-gallon	112	32	0.16	12	1,346	43,061
R2 - Semimonthly 32-gallon	94	32	0.16	24	2,262	72,375
R4 - Weekly 32-gallon	1,024	32	0.16	52	53,234	1,703,493
R8 - Weekly - 2-32-gallon	66	32	0.16	104	6,836	218,764
CW - Weekly 32-gallon	5	32	0.16	52	262	8,396
C12 - Semimonthly 1-yard	6	202	1	24	152	30,621
C14 - Weekly 1-yard	14	202	1	52	719	145,263
C18 - Semiweekly 1-yard	1	202	1	104	98	19,800
C22 - Semimonthly 2-yard	5	404	2	24	124	50,035
C24 - Weekly 2-yard	26	404	2	52	1,350	545,295
C28 - Semiweekly 2-yard	0	404	2	104	8	3,089
C32 - Semimonthly 3-yard	1	606	3	24	36	21,674
C34 - Weekly 3-yard	38	606	3	52	1,989	1,205,160
C38 - Semiweekly 3-yard	7	606	3	104	686	415,501
Extra Garbage (avg. accts per month)	218	32	0.16	12	2,616	83,717
TOTAL ALL	1,618					4,566,246

Total 2008 Tonnage, Inferred from Tipping Logs 1,760.10
 Total 2008 Tonnage (lbs) 3,520,200
 Total 2008 Volume Potential (gallons) 4,566,246
 Density of Material (lbs./gallon) 0.77