



Fuel Crisis Impact on Solid Waste Forecast

6/23/22 –
6/27/22





Presentation Overview

- Background
- Current rate plan
- Trend in fuel costs
- Trend in insurance costs
- Interfund loan prepayment
- Commercial Overview
- Recommendations



Solid Waste Rate Review - Residential

November 23, 2021 – 5-year Rate adjustment

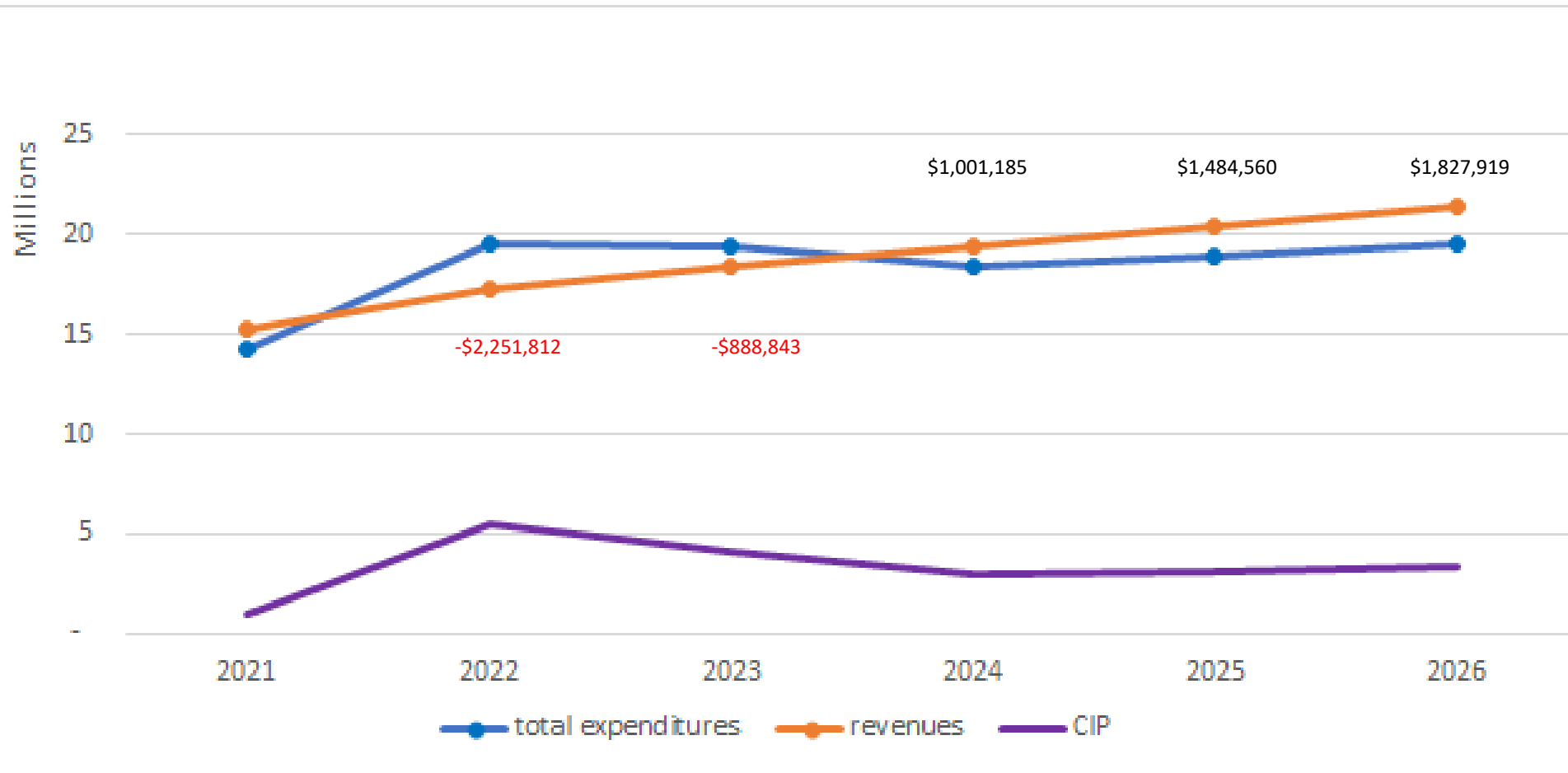
First adjustment \$1.75 was effective February 2022

Council approved upcoming adjustments:

Fiscal Year	Rate Adjustment
2023	\$1.25
2024	\$1.00
2025	\$1.00
2026	\$0.90



Residential Rate Adjustment Impact – November 2021





Solid Waste Rate Review – Commercial

January 25, 2022 – 5-year Rate adjustment presented

First adjustment of 10% effective March 2022

Council approved upcoming adjustments:

Years	Front Load	Roll Off Fees	
		Pull Charge	Disposal Per Ton
2023	8%	\$240	\$30
2024	7%	\$250	\$31
2025	5%	\$260	\$32
2026	5%	\$270	\$33



Residential Cost Factors Comparison

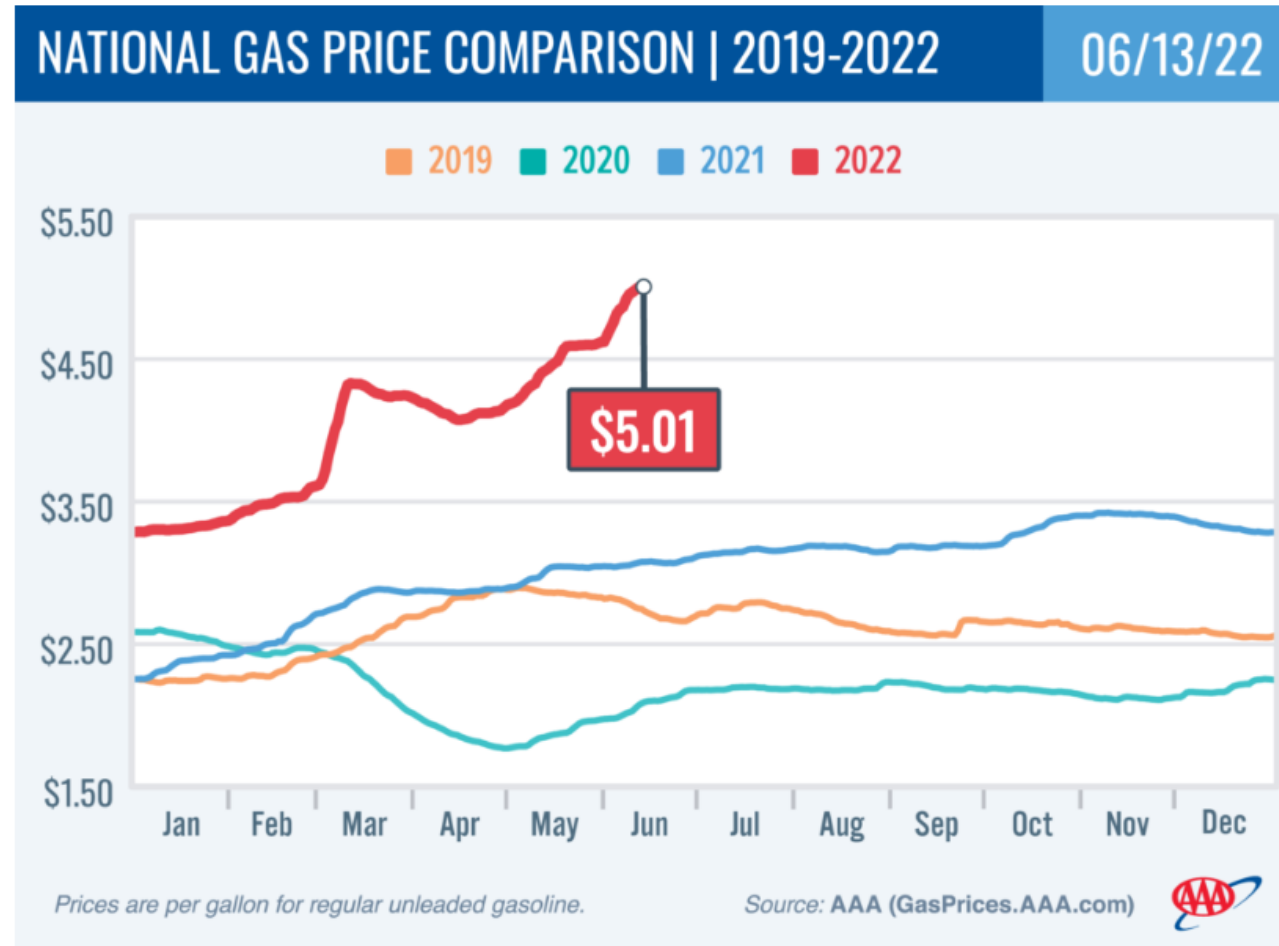
Major Drivers	FY20	FY 23 Forecast	Difference	% Difference
Fuel Cost	\$569,948	\$1,260,500	\$690,552	121%
Insurance/Indirect Costs	\$366,532	\$1,302,260	\$935,728	255%



Fuel Cost Impacts



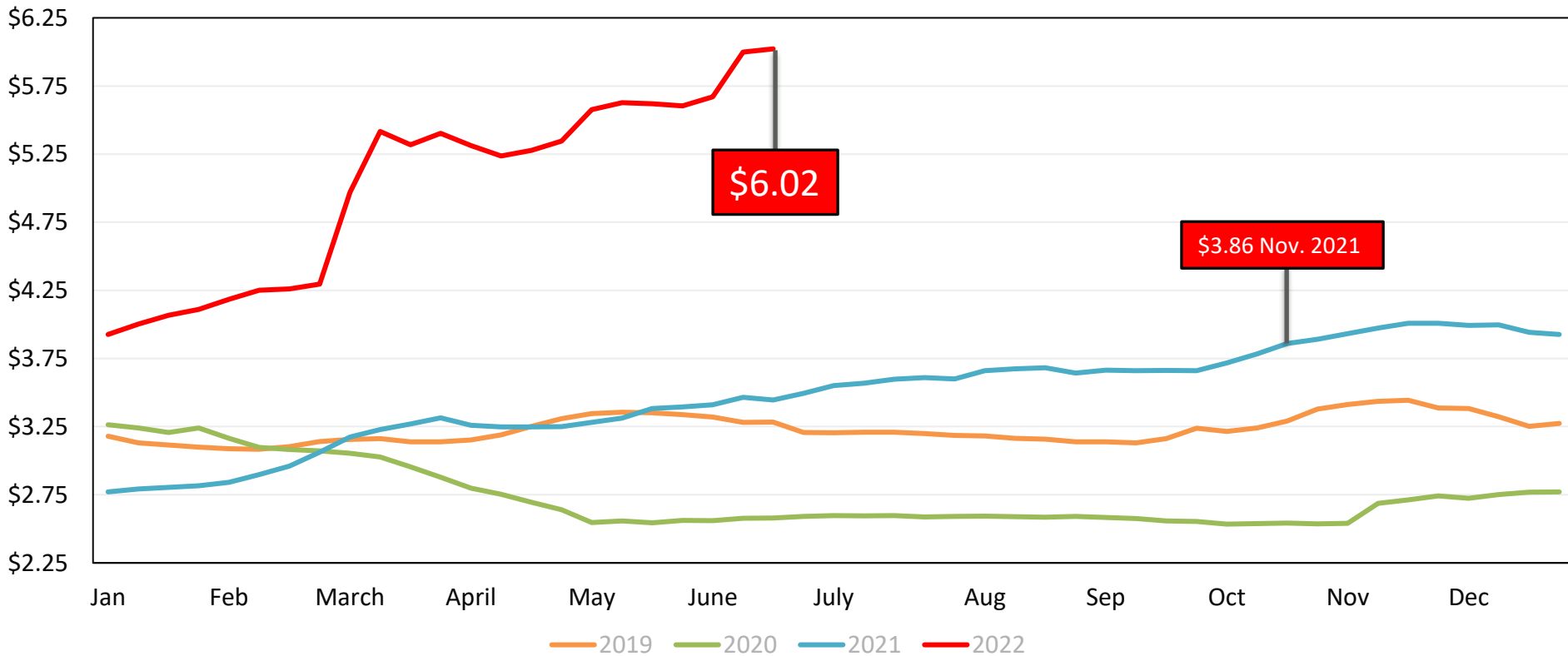
National Trend in Fuel Prices





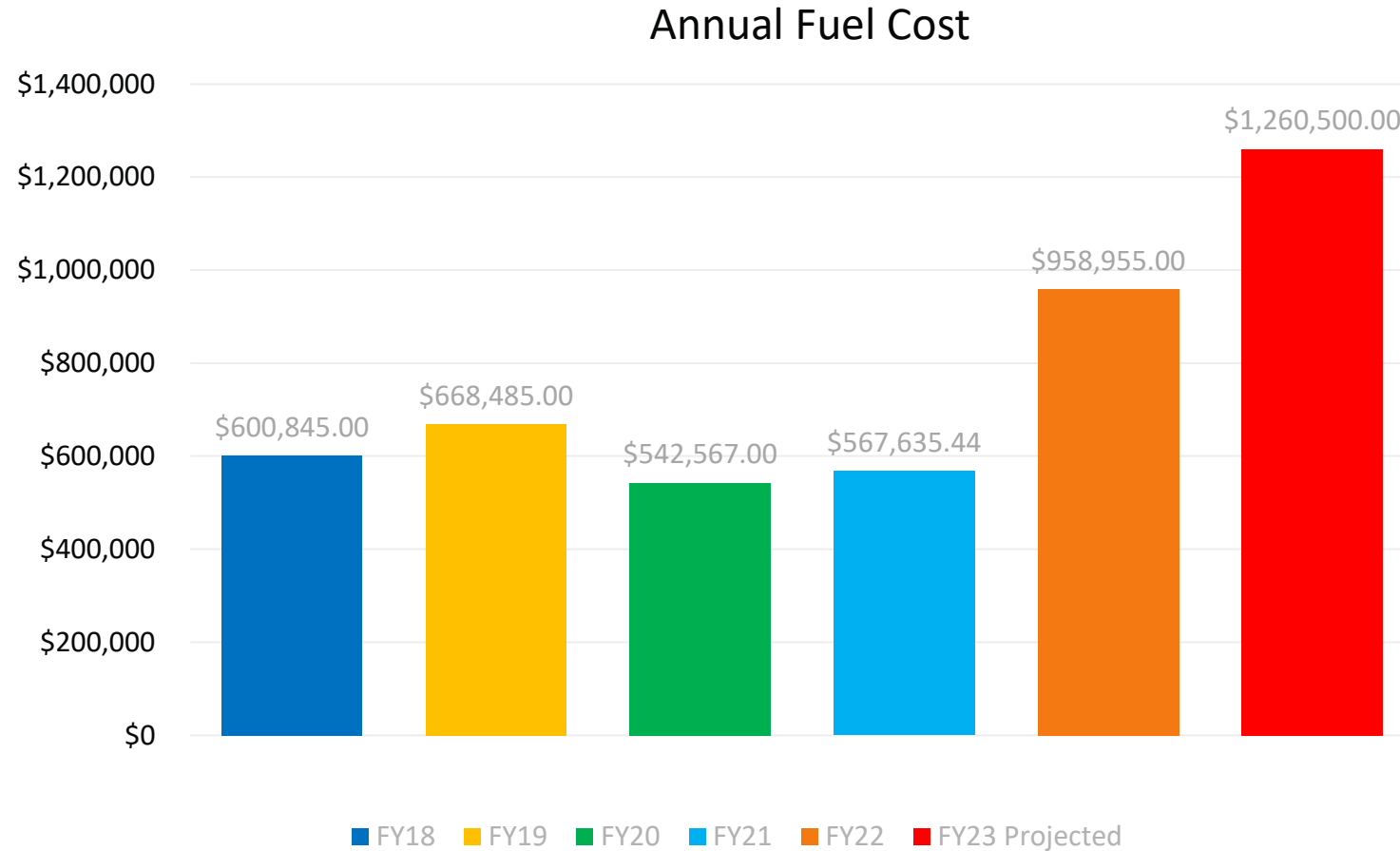
National Trend – Diesel Prices

West Coast Diesel Price Comparison 2019-2022



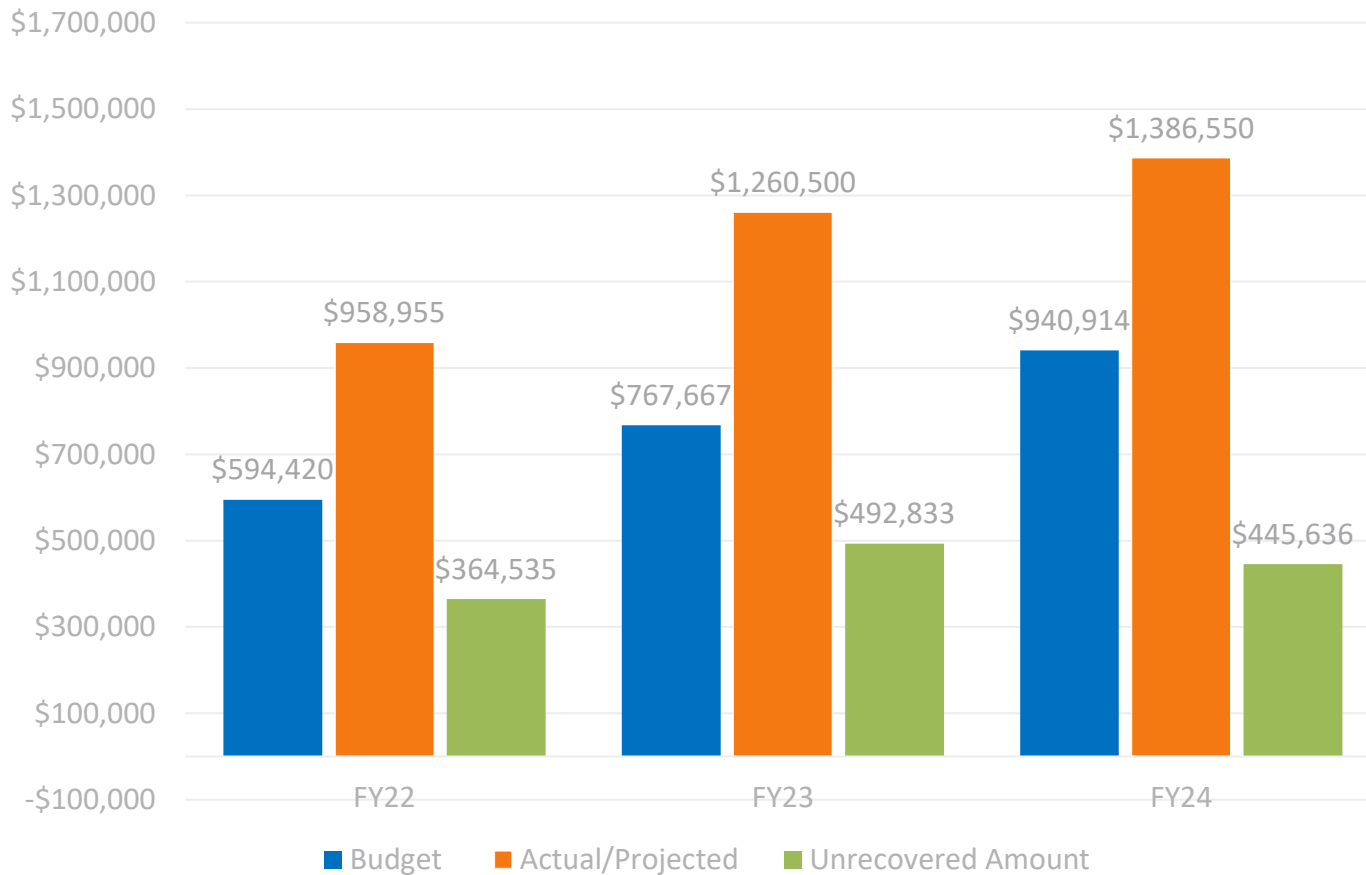


Residential Solid Waste – Fuel Cost Impact





Residential Solid Waste – Fuel Cost Impact



FY22 - \$364,535 unrecovered

FY23 - \$492,833 projected unrecovered

FY24 - \$445,636 projected unrecovered



Fuel Cost Recovery

Implement a temporary “Fuel Surcharge”, to be reviewed annually during budget process.

Recover FY22 actual shortfall (\$364K) and FY23 projected (\$492K) with a fuel surcharge from Sept. 2022 to June 2023 (\$857,000 total over 10 months)

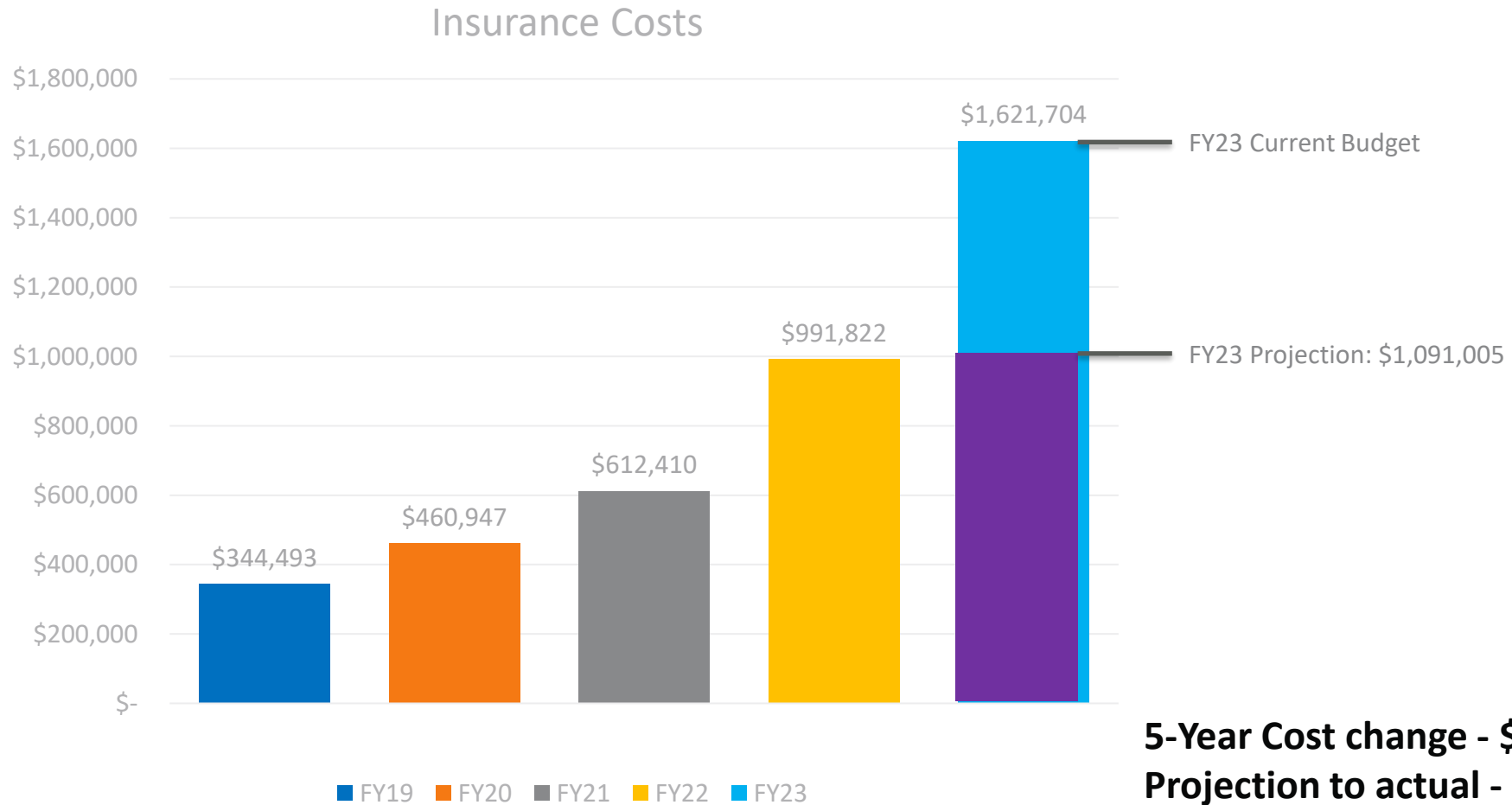
Temporary adjustment: \$1.54/household per month



Insurance Cost Impacts

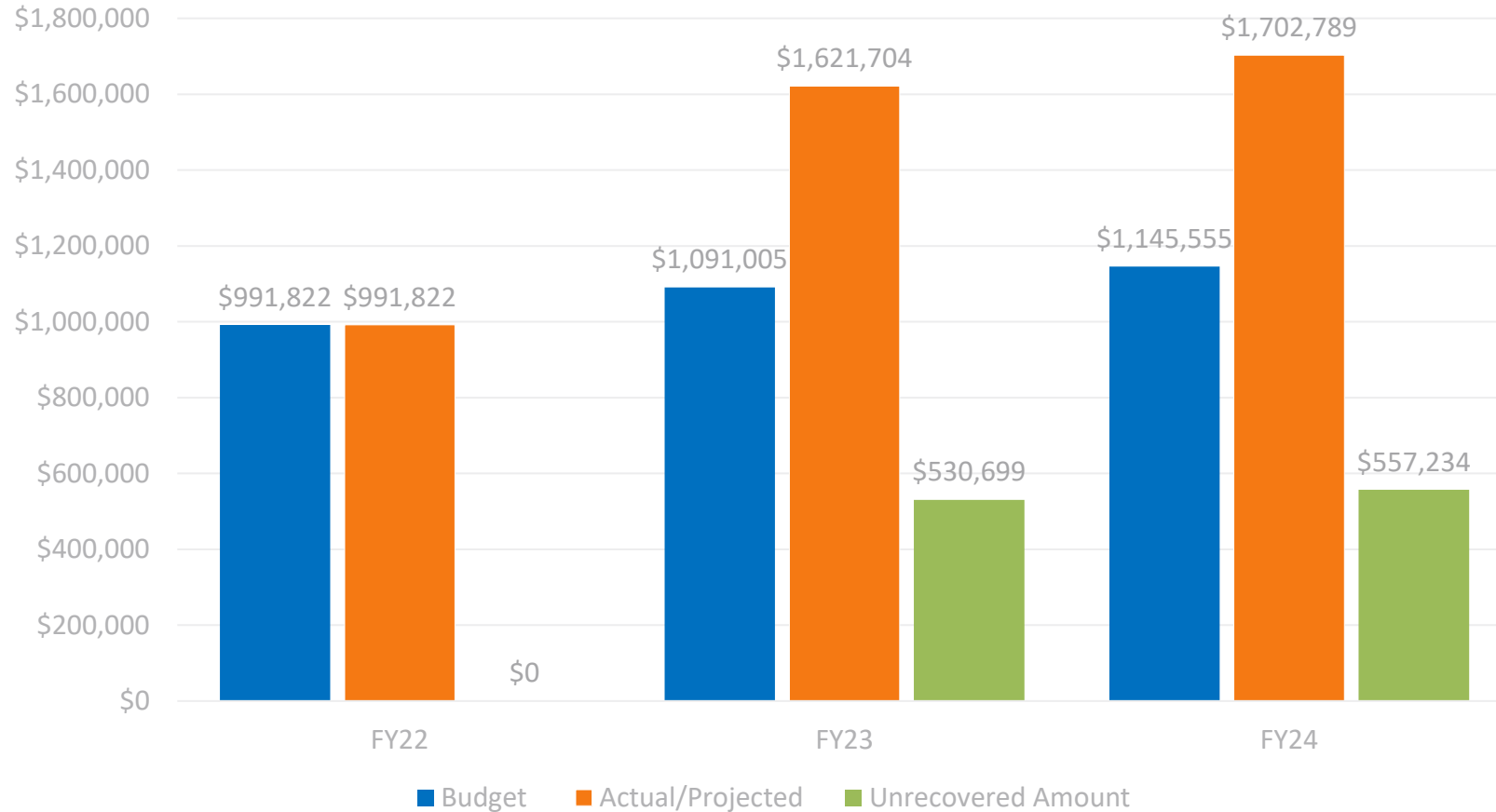


Risk Mgt & Workers Comp – All Solid Waste





Insurance Impact – Difference from Forecast



FY22 - \$0

FY23 - \$530,699

FY24 - \$557,234



Current Residential Services Rate Comparison

How do we measure up?



City	Services Provided	Base Rate per month per house	Additional Container rate
Phoenix**	Basic service and quarterly bulk trash	\$34.47	\$16.90
Tempe**	Basic service and monthly bulk trash	\$30.32	\$20.17
Mesa**	Basic service and an additional fee for bulk trash	\$29.92	\$14.13
Glendale	Basic service, monthly bulk trash, monthly street sweeping, litter patrol services, and illegal dumping team	\$23.55	\$8.70
Scottsdale**	Basic service and monthly bulk trash	\$22.54	\$11.45
Avondale**	Basic service and monthly bulk trash	\$22.00	\$13.00

** Rate increased since last presentation



Recommendation: Early Implementation of Approved Increases

Year	Adjustments			
	Increase Amount (Council Approved 2021)		Recommendation	
2023	(Jan 23)	\$1.25	→	\$2.25* (Sep 22)
2024	(Jan 24)	\$1.00	→	\$1.00 (Jan 24)
2025	(Jan 25)	\$1.00	→	\$0.90 (Jan 25)
2026	(Jan 26)	\$0.90	→	\$0

*Combine 2023 and 2024 rate adjustments, move 2025 to 2024, and 2026 to 2025



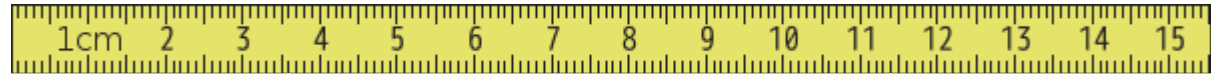
Recommendation: Early Implementation of Approved Increases

Year	Adjustments			
	Council Approved Rate Adjustments	Council Approved Monthly Rate	Recommended Rate Adjustments	Recommended Monthly Rate
2023	\$1.25	\$24.80	\$2.25	\$25.80
2024	\$1.00	\$25.80	\$1.00	\$26.80
2025	\$1.00	\$26.80	\$0.90	\$27.70
2026	\$0.90	\$27.70	\$0	\$27.70



Rate Comparison with Option 1 (Sep 22)

How do we measure up?

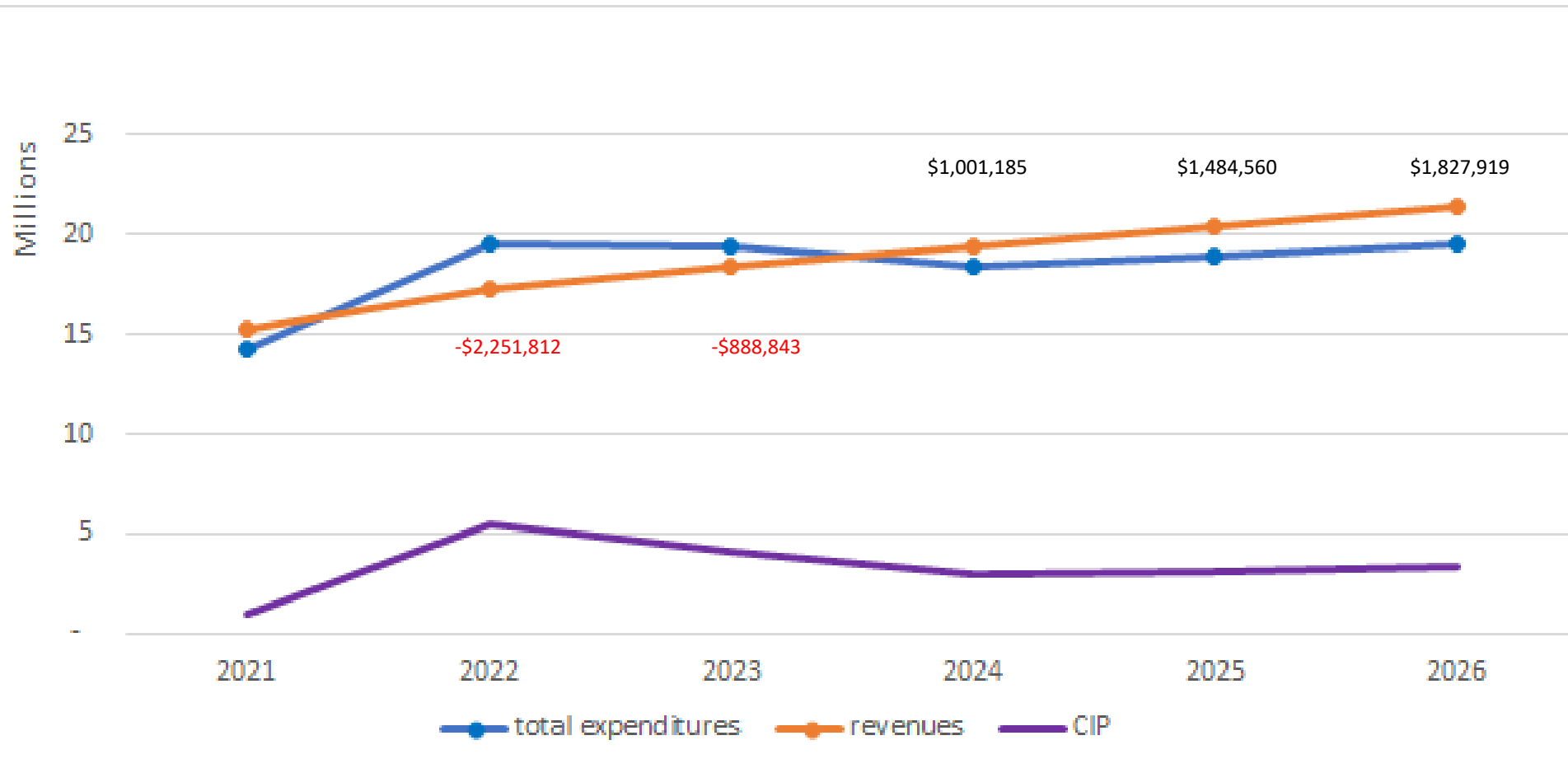


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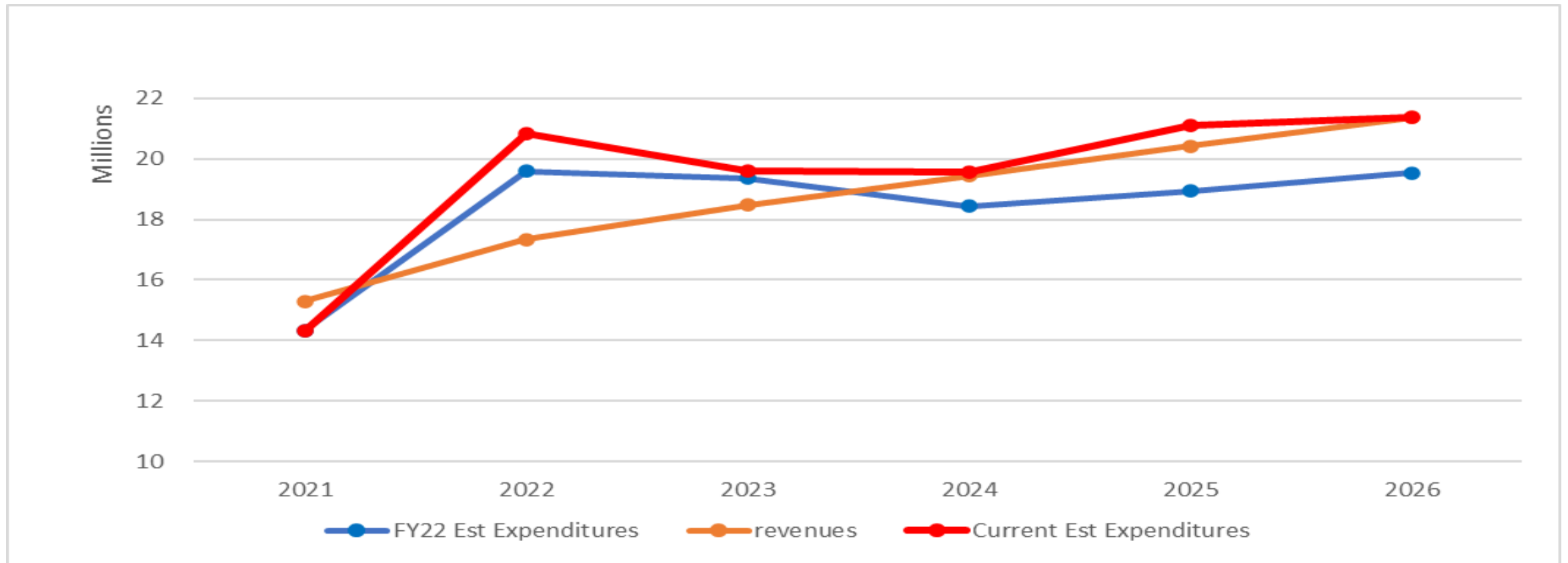


Residential Rate Adjustment Impact – November 2021





Fuel and Insurance Impact on Residential Fund





Interfund Loan Prepayment



Advance Interfund Loan Payback

- FY22 - Transfer \$1.8M from General Fund to prepay “Interfund loan”
- FY23 – Payment of \$385,000
- FY24 – Payment of \$390,000
 - Current balance \$3.4M
 - Remaining balance of \$825,000 to be paid off by FY2028
 - \$75k (est.) General Fund interest savings



Advance Interfund Loan Payback

Fund Balance without rate implementation and without loan prepay

Year	FY22	FY23	FY24	FY25	FY26
Balance	(1,219,335)	(2,695,587)	(2,904,513)	(3,412,767)	(3,222,038)

Fund Balance with rate implementation and fuel surcharge and without loan prepay

Year	FY22	FY23	FY24	FY25	FY26
Balance	(1,193,205)	(1,098,136)	(286,796)	74,503	879,261

Fund Balance with Rate Implementation, fuel surcharge, with loan prepay of \$1,800,000 YR1, \$385,000 YR2, and \$390,000 YR3.

Year	FY22	FY23	FY24	FY25	FY26
Balance	419,595	689,664	1,676,004	2,037,303	2,851,725

Council Policy: Ending Fund Balance

Year	FY22	FY23	FY24	FY25	FY26
Balance	2,392,103	2,479,131	2,619,318	2,751,929	2,850,533



Commercial Solid Waste Rate



Commercial Solid Waste

Cost Drivers

- Fuel
- Insurance/Risk Management

Recommendation: Recover FY23 projected and FY22 actual shortfall

- 3% per customer per month

- Will ensure that commercial operations is not being subsidized by residential customers



Commercial Fuel/Insurance Recommendation

Years	Approved Rate Increase	Fuel/Insurance Adjustment	Roll Off Fees	
			Pull Charge	Disposal Per Ton
2023	8%	3%	\$247	\$30
2024	7%	*budget review*	\$258	\$31
2025	5%	*budget review*	\$268	\$32
2026	5%	*budget review*	\$278	\$33



Recommendations

- Continue current level of Solid Waste Service
- Implement Fuel Surcharge
 - \$1.54 per household per month
 - Reviewed as part of budget process starting in December
- Implement Rate Adjustments
 - Combine Jan 2023 and Jan 2024 rate increase (Implement Sep 2022)
 - Move Jan 2025 increase to Jan 2024
 - Move Jan 2026 increase to Jan 2025



Recommendations Continued

- Prepay “interfund loan”
 - FY22 - \$1.8M
 - FY23 - \$385K
 - FY24 - \$390K
- Commercial Fuel/Insurance Rate Adjustment
 - 3% per account per month



- **Consensus**