

## EXECUTIVE SUMMARY

In July 2019, the City of Stillwater, Oklahoma (City) retained NewGen Strategies and Solutions, LLC (NewGen), to conduct a cost of service and rate design study (Study) for the solid waste utility (Utility). The purpose of this Study is to determine the cost of providing solid waste services, equitably distribute the costs to the appropriate customer classes, and design rates to safeguard the financial integrity of the Utility.

As part of the Study NewGen submitted a detailed data request to the City to collect historical and background information on operations and practices. The information requested included:

- Detailed Financial Reports and Budgets
- Solid Waste Policies and Ordinances
- Customer and Container Counts
- Personnel Rosters
- Solid Waste and Recycling Tonnage Reports
- Fleet Inventory Operating Costs

NewGen also held numerous meetings with the City staff throughout the course of the project to discuss, plan, and finalize the cost of service analysis.

### Revenue Requirement by Scenario

In developing the Test Year revenue requirement for the City, NewGen used the FY 2020 adopted budget as the basis for the Test Year. NewGen compared the FY 2020 adopted budget to historical expenses for FY 2017, FY 2018, and FY 2019. Through this comparison and with input from City staff, NewGen made adjustments to ensure that the Test Year would reflect expenses that occur on a regular basis. In addition to developing the Test Year revenue requirement, NewGen forecast the annual revenue requirement for FY 2020 through FY 2024. In order to develop this forecast, NewGen projected how costs would change over the years due to a variety of different inflation factors.

NewGen developed rate recommendations under three separate scenarios, whose revenue requirement forecasts are summarized below.

- **Scenario 1:** The revenue requirement forecast for Scenario 1 is summarized in Table ES-1. This scenario includes \$1.4 million for parking lot improvements, at the solid waste facility, to be recovered on a cash basis over FY 2021 – FY 2024.

**Table ES-1  
Revenue Requirement – Scenario 1**

	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024
O&M Costs	\$3,977,519	\$4,039,372	\$4,102,795	\$4,167,830	\$4,234,519
Transfer to General Fund	1,928,000	900,000	1,000,000	1,000,000	1,000,000
Vehicle Replacement	773,606	844,151	911,491	945,201	978,936
PAYG Capital <sup>1</sup>	-	350,000	350,000	350,000	350,000



## EXECUTIVE SUMMARY

**Table ES-1  
Revenue Requirement – Scenario 1**

	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024
New Debt Service	-	-	-	-	-
Total Expenses <sup>2</sup>	\$6,679,682	\$6,133,523	\$6,364,286	\$6,463,031	\$6,563,454
Miscellaneous Revenues	(567,915)	(567,915)	(567,915)	(567,915)	(567,915)
Net Revenue Requirement <sup>2,3</sup>	\$6,111,767	\$5,565,608	\$5,796,371	\$5,895,116	\$5,995,539

1. Pay-As-You-Go (i.e. cash capital outlays).

2. Any minor arithmetic deviation is due to rounding.

3. The net revenue requirement summarized in this table reflects the subtraction of miscellaneous revenues.

- **Scenario 2:** The revenue requirement forecast for Scenario 2 is summarized in Table ES-2. This scenario includes \$1.4 million for the parking lot improvements, at the solid waste facility, to be recovered through a new debt issue in FY 2024.

**Table ES-2  
Revenue Requirement – Scenario 2**

	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024
O&M Costs	\$3,977,519	\$4,039,372	\$4,102,795	\$4,167,830	\$4,234,519
Transfer to General Fund	1,928,000	900,000	1,000,000	1,000,000	1,000,000
Vehicle Replacement	773,606	844,151	911,491	945,201	978,936
PAYG Capital	-	-	-	-	-
New Debt Service	-	-	-	-	183,204
Total Expenses <sup>1</sup>	\$6,679,682	\$5,783,523	\$6,014,286	\$6,113,031	\$6,396,659
Miscellaneous Revenues	(567,915)	(567,915)	(567,915)	(567,915)	(567,915)
Net Revenue Requirement <sup>1,2</sup>	\$6,111,767	\$5,215,608	\$5,446,371	\$5,545,116	\$5,828,743

1. Any minor arithmetic deviation is due to rounding.

2. The net revenue requirement summarized in this table reflects the subtraction of miscellaneous revenues.

- **Scenario 3:** The revenue requirement forecast for Scenario 3 is summarized in Table ES-3. This scenario includes \$1.4 million for the parking lot improvement, at the solid waste facility, to be recovered through a new debt issue in FY 2024, \$1.6 million in new debt to be issued for a recycling staging facility in FY 2021, and operating and maintenance costs for the recycling staging facility starting in FY 2023.

**Table ES-3  
Revenue Requirement – Scenario 3**

	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024
O&M Costs	\$3,977,519	\$4,039,372	\$4,102,795	\$4,426,024	\$4,492,713
Transfer to General Fund	1,928,000	900,000	1,000,000	1,000,000	1,000,000

**Table ES-3  
Revenue Requirement – Scenario 3**

	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024
Vehicle Replacement	773,606	844,151	911,491	945,201	978,936
PAYG Capital	-	-	-	-	-
New Debt Service	-	130,025	130,025	130,025	313,230
<b>Total Expenses<sup>1</sup></b>	<b>\$6,679,682</b>	<b>\$5,913,548</b>	<b>\$6,144,311</b>	<b>\$6,501,251</b>	<b>\$6,784,878</b>
Miscellaneous Revenues	(567,915)	(567,915)	(567,915)	(567,915)	(567,915)
<b>Net Revenue Requirement<sup>1,2</sup></b>	<b>\$6,111,767</b>	<b>\$5,345,633</b>	<b>\$5,576,396</b>	<b>\$5,933,336</b>	<b>\$6,216,963</b>

1. Any minor arithmetic deviation is due to rounding.

2. The net revenue requirement summarized in this table reflects the subtraction of miscellaneous revenues.

## Rate Recommendations

### Residential Rates

Based on which scenario the City elects to implement, NewGen would recommend the following residential rates increases for the three scenarios. The implementation of these proposed rates will ensure the overall financial integrity of the Utility through FY 2024.

**Table ES-4  
Proposed Residential Rates Increases**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Increase per HH per Month (Scenario 1)	-	5%	5%	-	-
Increase per HH per Month (Scenario 2)	-	-	4%	-	4%
Increase per HH per Month (Scenario 3)	-	-	5%	5%	5%

Table ES-5 shows the impact of the residential rate increase on a 35, 64, and 96-gallon cart customer for each of the three scenarios.

**Table ES-5  
Proposed Residential Rates**

	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024
<b>Scenario 1</b>					
35-gallon cart	\$13.74	\$14.43	\$15.15	\$15.15	\$15.15
64-gallon cart	\$16.01	\$16.81	\$17.65	\$17.65	\$17.65

## EXECUTIVE SUMMARY

**Table ES-5  
Proposed Residential Rates**

	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024
96-gallon cart	\$18.28	\$19.19	\$20.15	\$20.15	\$20.15
<b>Scenario 2</b>					
35-gallon cart	\$13.74	\$13.74	\$14.29	\$14.29	\$14.86
64-gallon cart	\$16.01	\$16.01	\$16.65	\$16.65	\$17.32
96-gallon cart	\$18.28	\$18.28	\$19.01	\$19.01	\$19.77
<b>Scenario 3</b>					
35-gallon cart	\$13.74	\$13.74	\$14.43	\$15.15	\$15.91
64-gallon cart	\$16.01	\$16.01	\$16.81	\$17.65	\$18.53
96-gallon cart	\$18.28	\$18.28	\$19.19	\$20.15	\$21.16

### Commercial Rear Load Rates

NewGen would recommend the following commercial rear load rates increases for the three scenarios.

**Table ES-6  
Proposed Commercial Rear Load Rates Increases**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Scenario 1	-	-	5%	5%	-
Scenario 2	-	-	5%	5%	-
Scenario 3	-	-	5%	5%	5%

### Commercial Roll-Off Rates

NewGen would recommend that the City implement a different billing approach for roll-off customers in FY 2021. This approach would include a delivery fee, per pull fee, and a monthly rental fee if the container is held for greater than 30 days. NewGen recommends the same rate increases in each of the three scenarios.

**Table ES-7  
Proposed Roll-Off Rates**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Delivery Fee	N/A <sup>1</sup>	\$100	\$100	\$100	\$100
Rental Fee (monthly)	N/A <sup>1</sup>	\$100	\$100	\$100	\$100
Per Pull Fee	N/A <sup>1</sup>	\$300	\$310	\$320	\$330

1. NewGen would recommend no change in FY 2020 in Roll-off rates.

**Street Sweeping Rates**

NewGen would recommend the following street sweeping rates increases for the three scenarios described in table ES-8.

**Table ES-8  
Proposed Street Sweeping Rates**

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Scenario 1	\$1.63	\$2.33	\$2.33	\$2.33	\$2.33
Scenario 2	\$1.63	\$1.63	\$2.23	\$2.23	\$2.23
Scenario 3	\$1.63	\$1.63	\$2.33	\$2.33	\$2.33

**Revenue Recovery from Proposed Rates**

Table ES-9 shows the forecasted revenue recovery from the proposed rates under Scenario 1.

**Table ES-9  
Revenue Recovery from Proposed Rates – Scenario 1**

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Revenue from Proposed Rates	\$5,276,522	\$5,565,608	\$5,796,371	\$5,895,116	\$5,995,539
Revenue Requirement	\$6,111,767	\$5,565,608	\$5,796,371	\$5,895,116	\$5,995,539
Over/(Under) Recovery	(\$835,244)	\$103,666	\$154,485	\$143,746	\$77,812

Table ES-10 shows the forecasted revenue recovery from the proposed rates under Scenario 2.

**Table ES-10  
Revenue Recovery from Proposed Rates – Scenario 2**

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Revenue from Proposed Rates	\$5,276,522	\$5,312,949	\$5,691,087	\$5,777,795	\$5,969,318
Revenue Requirement	\$6,111,767	\$5,215,608	\$5,446,371	\$5,545,116	\$5,828,743
Over/(Under) Recovery	(\$835,244)	\$97,341	\$244,716	\$232,679	\$140,574

Table ES-11 shows the forecasted revenue recovery from the proposed rates under Scenario 3.

**Table ES-11  
Revenue Recovery from Proposed Rates – Scenario 3**

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Revenue from Proposed Rates	\$5,276,522	\$5,312,949	\$5,753,012	\$6,038,862	\$6,340,119
Revenue Requirement	\$6,111,767	\$5,345,633	\$5,576,396	\$5,933,336	\$6,216,963
Over/(Under) Recovery	(\$835,244)	(\$32,684)	\$176,616	\$105,527	\$123,156

### Policy Issues

- **Consider Charging for Commercial Cardboard Roll-off Collection.** At present the City does not charge for commercial collection of cardboard for either rear load or roll-off containers. The City has established cardboard collection rates for roll-off containers which have never been implemented. NewGen would encourage the City consider implementing some modest fee for commercial cardboard roll-off collection that recovers some revenue from the commercial businesses while still encouraging those businesses to continue to divert cardboard from the landfill. The City does not have many cardboard rear load dumpster customers, so they are not seen as pressing an issue, but the City may wish to consider charging a modest fee for the rear load commercial cardboard containers as well.
- **Change in Roll-off Rate Structure.** NewGen would recommend that the City consider moving to a roll-off rate structure that has four set components. The City would charge a **delivery fee** for a roll-off container (regardless of size) and then a **pull fee** for when the container is full, and pulled by the City, and hauled to the landfill to be emptied. The pull fee would be the same regardless of the size of the roll-off container. The client would also be required to pay a **disposal fee** associated with the weight of material that is disposed of at the landfill, at the current per ton tipping fee charged by the City. Finally, to discourage individuals from retaining a roll-off container for an excessive period of time, a monthly **rental fee** would be charged for every 30 days the container is kept by the owner.

This roll-off rate structure is widely used within the industry, is simpler than the City's current billing process for roll-offs, and would minimize future potential billing errors on the part of the City with the use of a more simplified billing structure.