

Solid Waste Rate Study

**City of Merced
City Council**

**January 20, 2026
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CONSULTING GROUP, INC.

RESOURCES • RESPECT • RESPONSIBILITY

- **Receive study session presentation regarding recommendations and options for adjustments to solid waste rates effective FY 2026/27 through FY 2030/31**
- **Provide direction regarding which rate adjustment option is desired by Council**
- **Direct staff to proceed with 45-day Proposition 218 noticing to ratepayers for the desired option**

Executive Summary

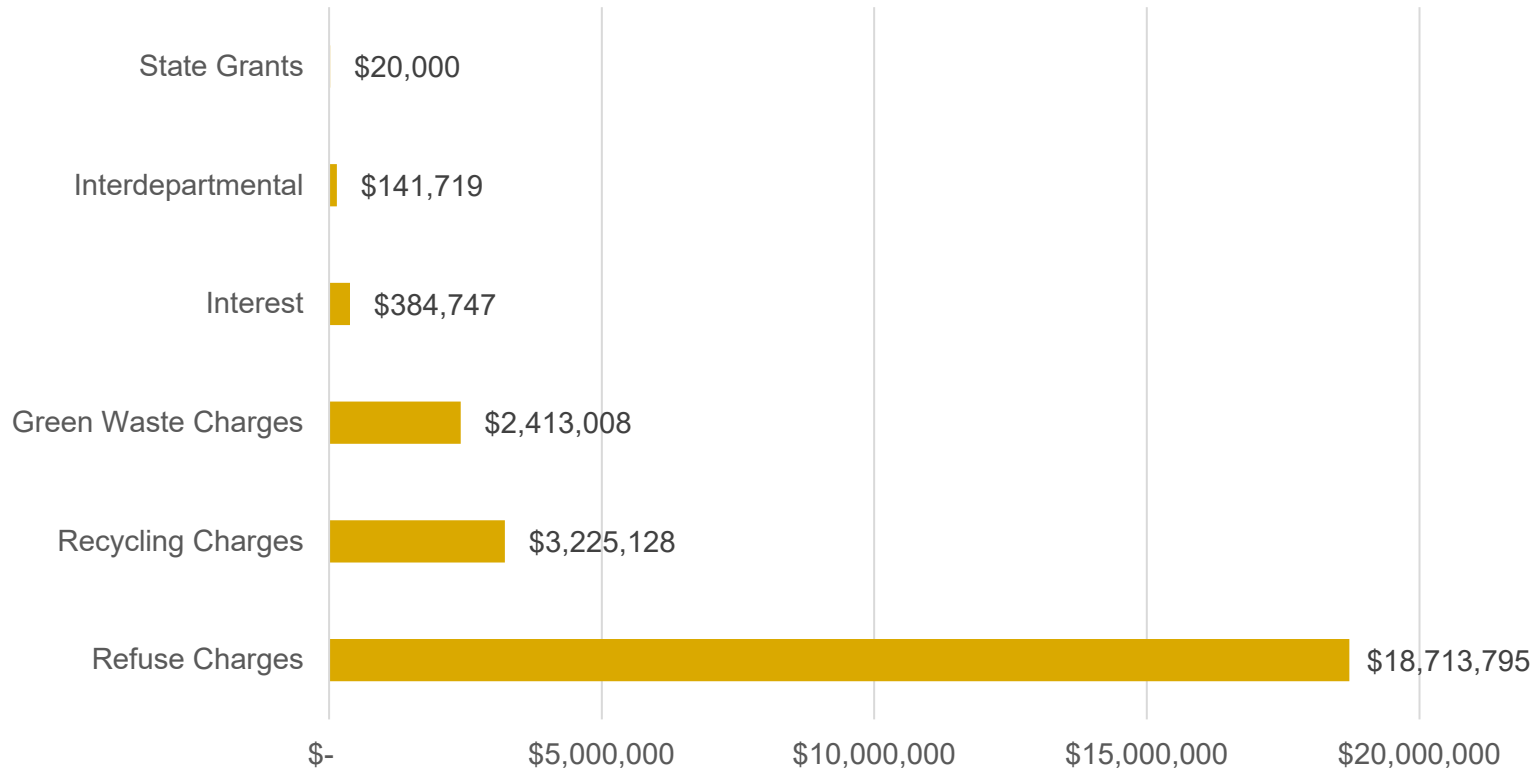
- **Solid waste services are critical services and are required for health and safety as well as compliance with State laws.**
- **The City's solid waste collection operations are well-managed and well-run – current solid waste rates are reasonable and proportionate to the cost of providing service.**
- **Revenues to fund solid waste services require periodic review and adjustment to maintain the financial health of the solid waste utility.**
- **The City may authorize up to 5 years of solid waste rate adjustments at a time – there are no ongoing automatic adjustments outside of Council authorization.**
- **Annual adjustments to solid waste rates of 4.5% or 5.3% in FY 2026/27 through FY 2030/31 are recommended.**

- The City's last solid waste rate study (2019) resulted in adjustments to rates in FY 2020-21 through FY 2023-24 – rates have remained flat since July 1, 2023.
- Primary cost drivers (labor, capital, fuel, disposal, and processing costs) escalate over time & unfunded State mandates will further increase vehicle costs.
- Though reserves in the Solid Waste Fund are currently healthy, without adjustments to solid waste rates, reserves will be fully depleted in early FY 2030-31.
- Therefore, adjustments to the City's solid waste rates are necessary to maintain operations and service reliability.

Solid Waste Financial Plan

- **Revenues at Current Rates are \$24.90 million**
 - Rate revenues only = \$24.35 million

Chart 1: Revenue Sources by Type and at Current Rates (FY 2025-26)

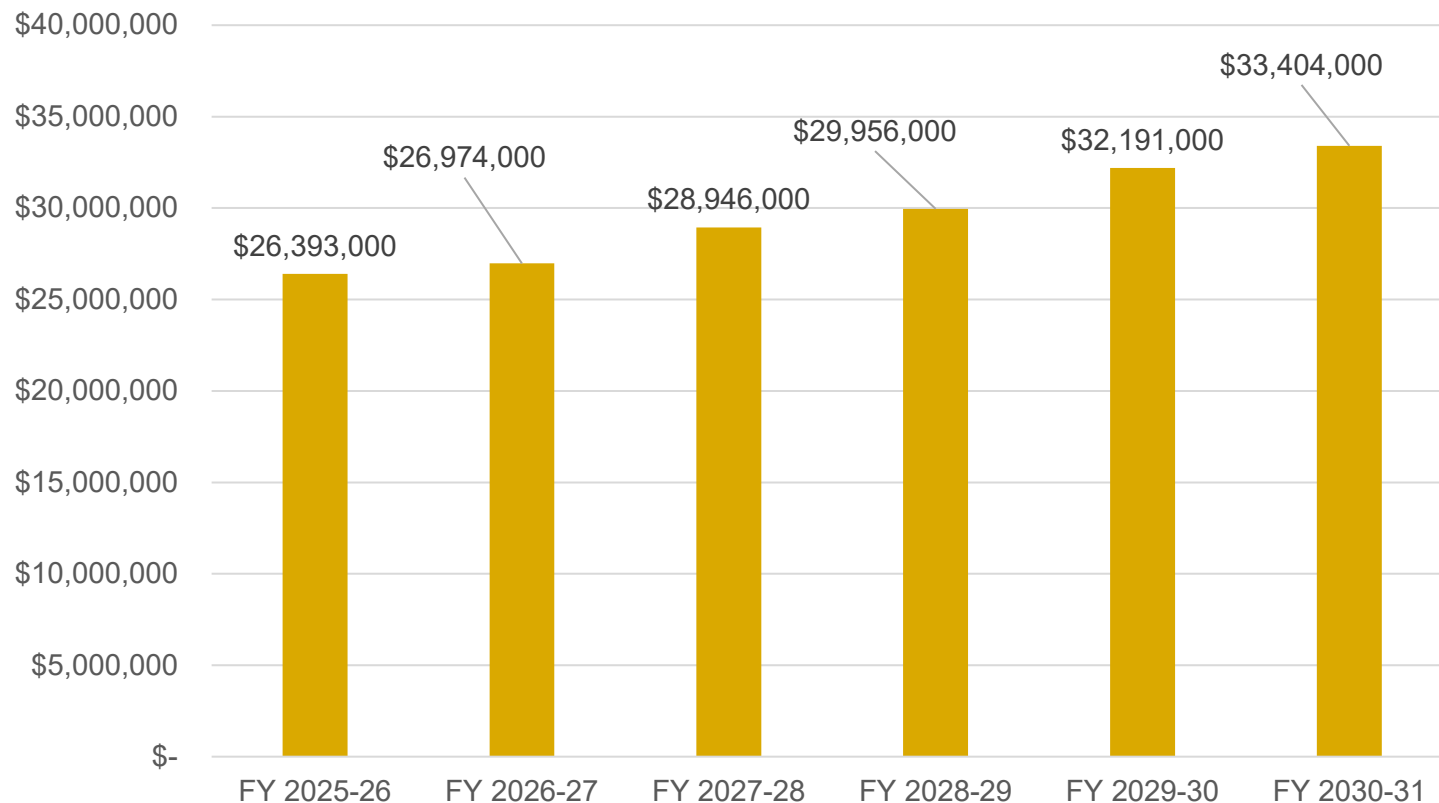


Solid Waste Financial Plan

➤ Projected Expenses:

- Current revenues do not fully fund current expenses
- Operating expenses are projected to increase by an average of 4.8% per year

Chart 2: Summary of Current and Projected Expenses

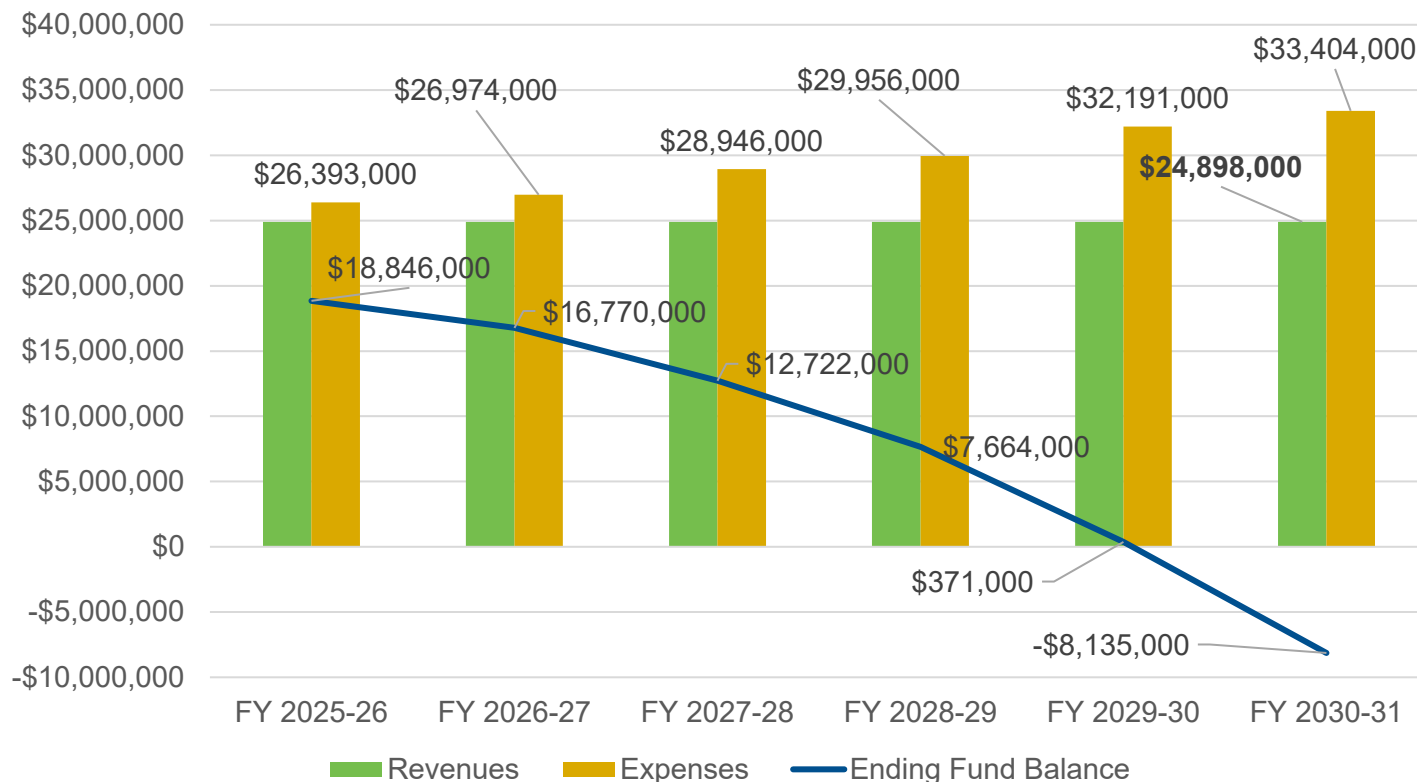


Solid Waste Financial Plan

➤ Fund Balance:

- Will be depleted in FY 2030-31 without rate adjustments
- Minimum balance of 2 months of operating expenses (16%) is recommended

Chart 3: Projections of Revenues, Expenses and Reserves by Year



Solid Waste Financial Plan

➤ Capital and Fleet Expenses

- Vehicle replacement (every 7-10 years) is fully funded by solid waste rates and recommended adjustments.
- Solid waste's proportionate share of the Corp Yard Phase III debt service is funded by solid waste rates and recommended adjustments.
- New vehicles and routes are included to accommodate growth, funded by new solid waste accounts.
- Collection vehicle costs are anticipated to double starting in FY 2031-32 to comply with CARB's Advanced Clean Fleets – Zero Emission Vehicle requirements.

Solid Waste Financial Plan

➤ New Solid Waste Services

- Smaller and cheaper options for commercial garbage and organics services will be made available.
- Parks solid waste services fully funded via new interdepartmental service charge.
- Special event pricing and rates scalable by event size and solid waste service needs.

Solid Waste Rate Adjustment Options

➤ Option 1:

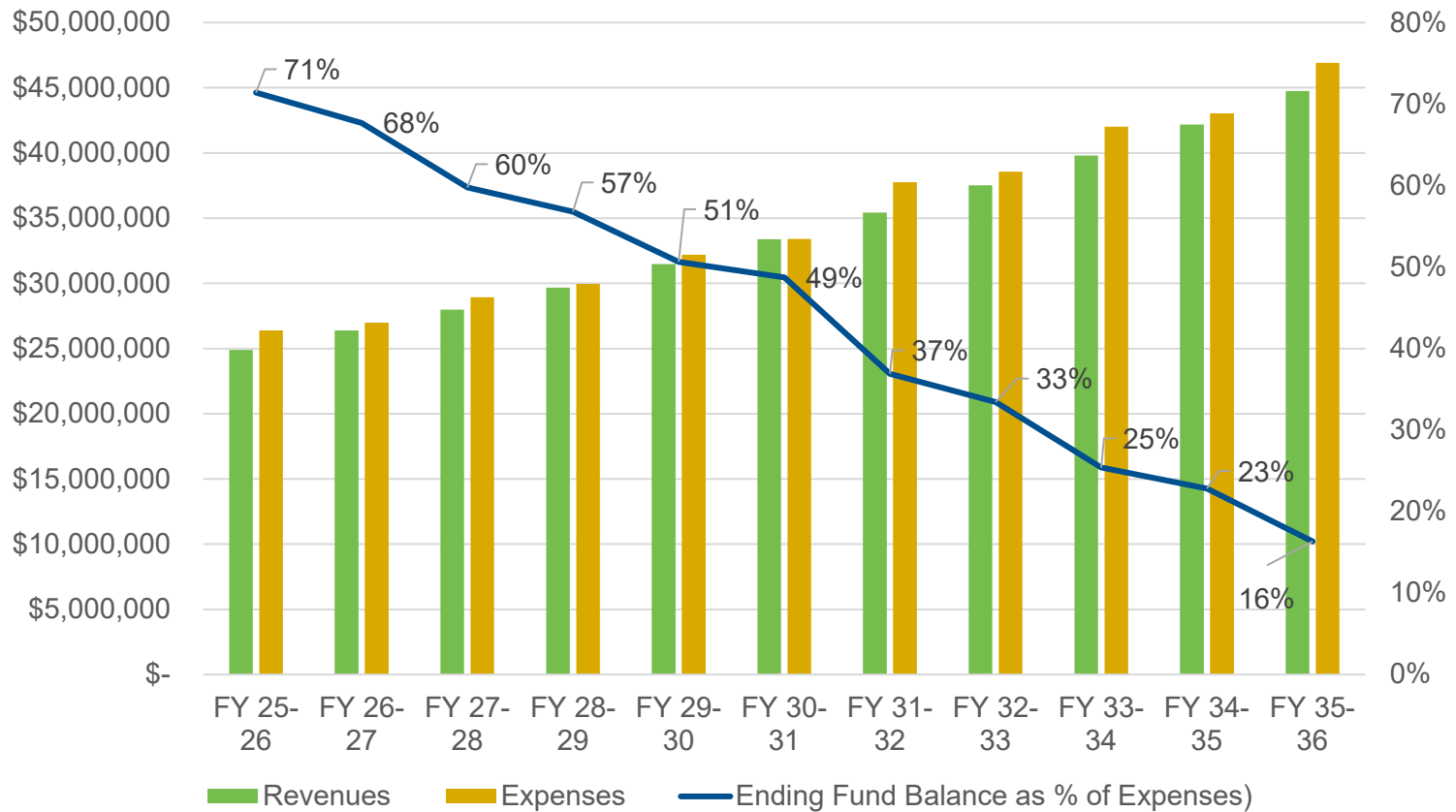
- **5.3%** annually in FY 2026/27 through FY 2030/31
- Projected adjustments for future rate study of **5.3%** annually in FY 2031/32 through FY 2035/26.

➤ Option 2:

- **4.5%** annually in FY 2026/27 through FY 2030/31
- Projected adjustments for future rate study of **7.2%** annually in FY 2031/32 through FY 2035/26.

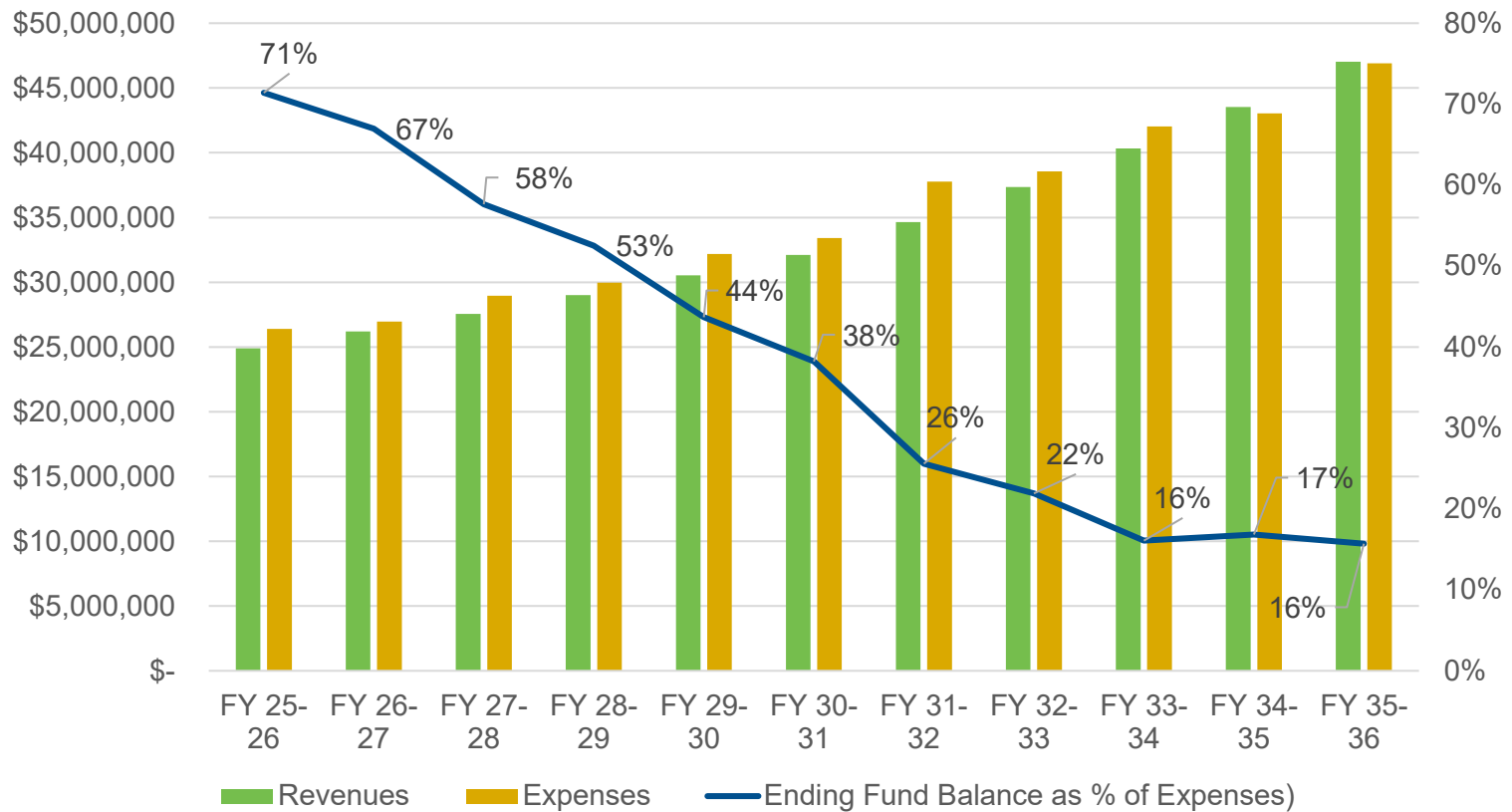
Solid Waste Financial Plan

Chart 4: Option 1: 5.3% Annual Rate Adjustments



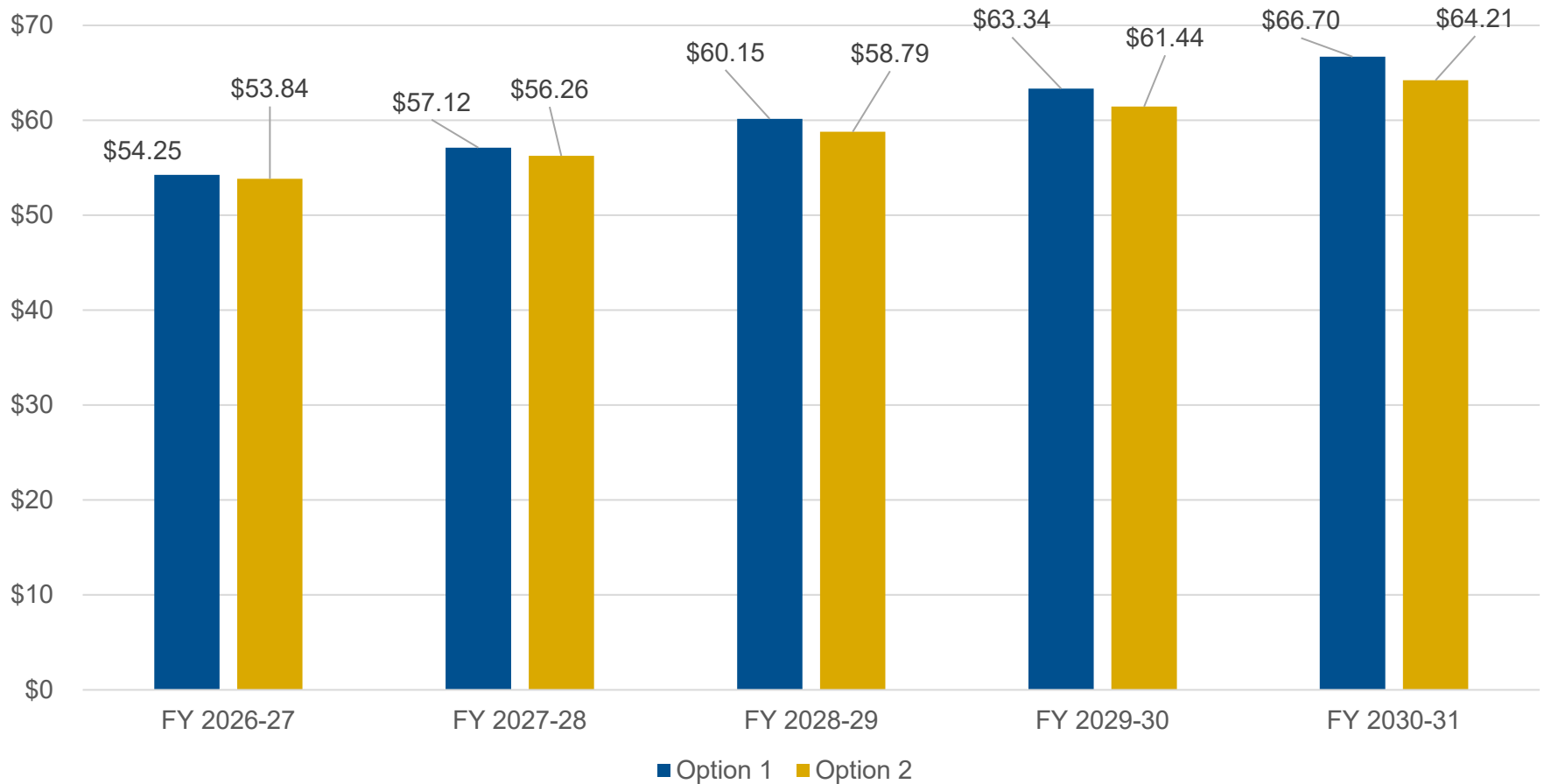
Solid Waste Financial Plan

Chart 5: Option 2: 5 Years of 4.5%; Followed by 5 Years at 7.2%



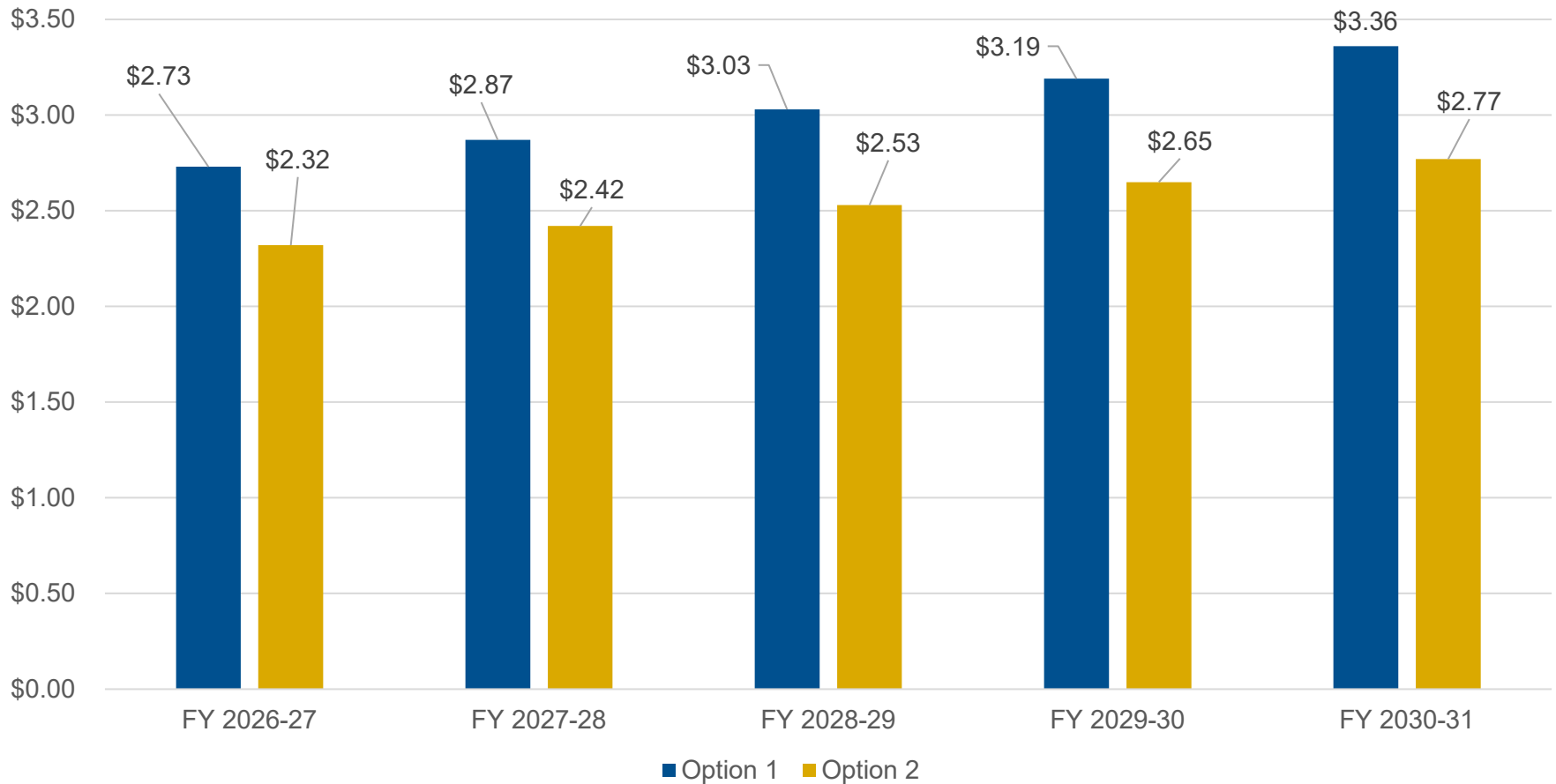
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Chart 6: Comparison of Single-Family Total Monthly Service Rate by Option and Fiscal Year



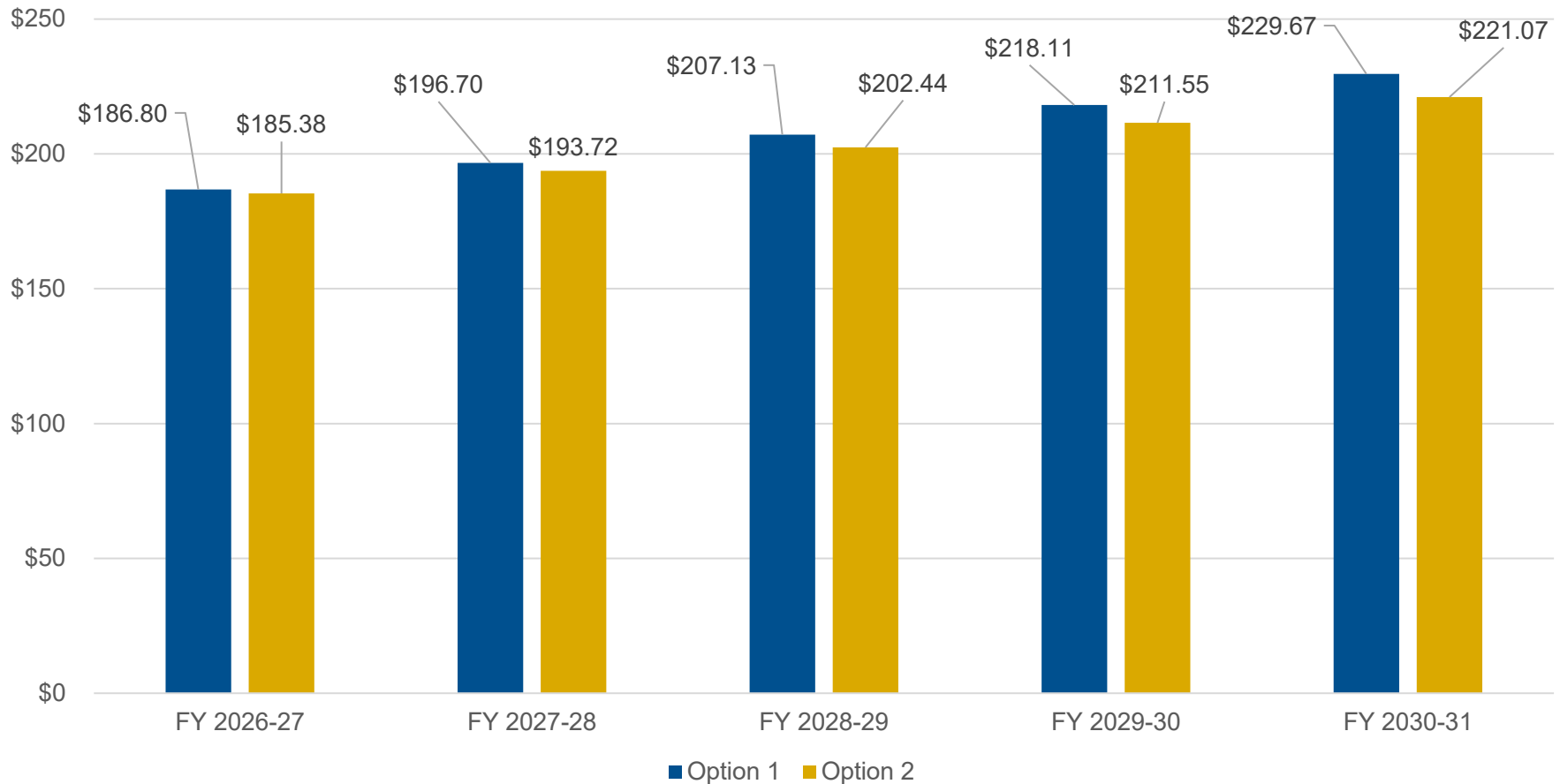
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Chart 7: Comparison of Annual Change in Single-Family Total Monthly Service Rate by Option and Fiscal Year



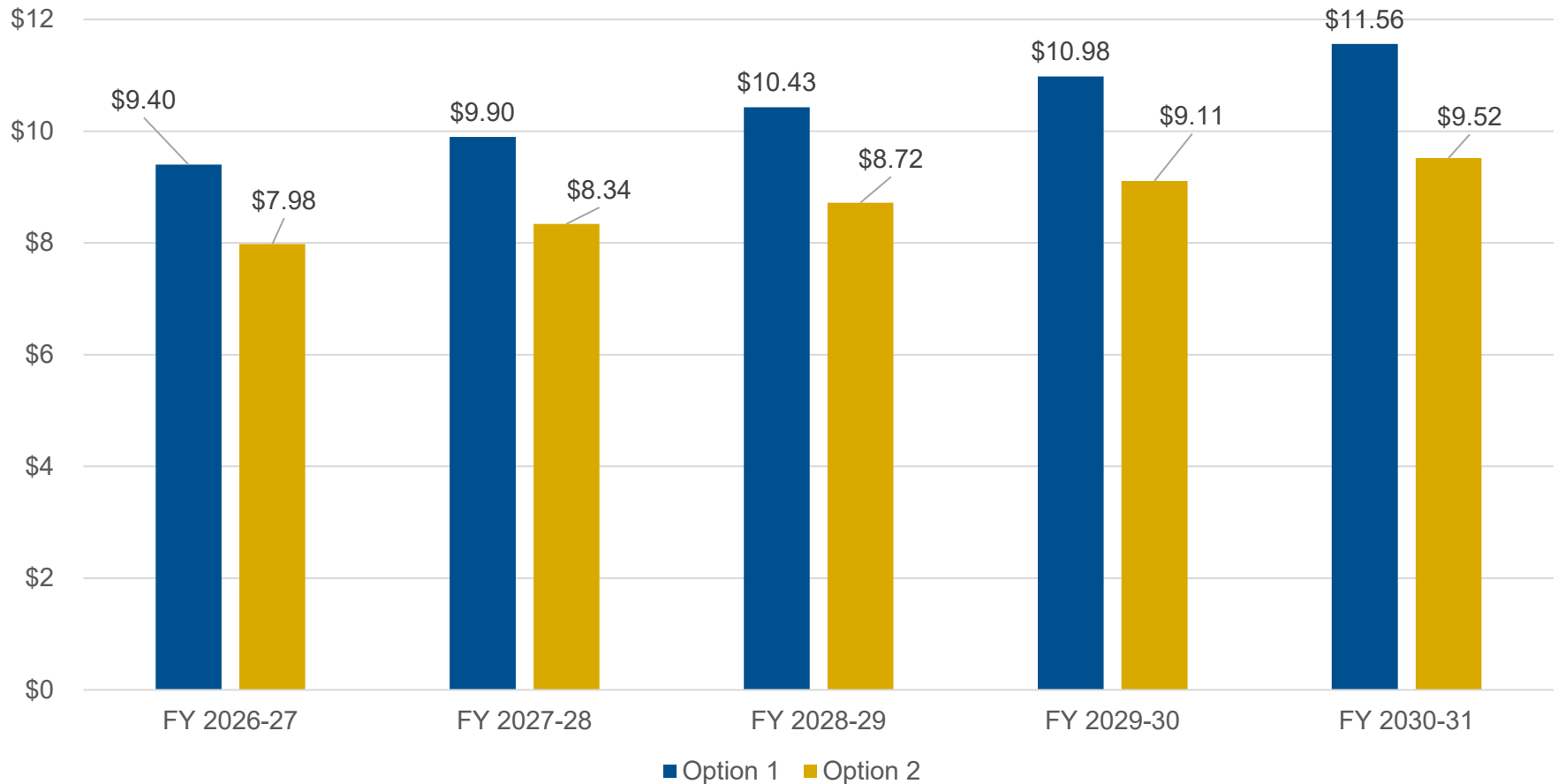
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Chart 8: Comparison of Commercial 3 Cubic Yard Garbage Monthly Service Rate by Option and Fiscal Year



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Chart 9: Comparison of Annual Change in Commercial 3 Cubic Yard Garbage Monthly Service Rate by Option and Fiscal Year



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