

Minutes Approved

As circulated November 17, 2025
Strategic Planning Meeting
Aug 2, 2024 Elyria City Council

Discussion was held.

Councilmember Oswald inquired whether the increase in new home development within the municipality positively or negatively impacts sanitation pickup and delivery services. Mr. Letera responded that population growth was not factored into the study; however, an increase in customers would result in increased revenue.

Councilmember Schneider asked whether all projections were based on routes remaining unchanged. Mr. Letera stated that no route structure changes were included in the analysis. SSD Pyanowski added that a route optimization study had been completed by another firm, which would require approximately ten percent (10%) of customers to change their pickup day. If implemented, this option would eliminate approximately two and one-half routes on Tuesdays and Wednesdays.

Councilmember Siwierka requested the number of households included in the 2018–2019 study. Mr. Letera stated that current total accounts are approximately 18,000 and that he would provide the historical data from prior years.

Councilmember Mitchell expressed concerns regarding recycling operations and the need for improved public education to avoid financial losses associated with recycling efforts. SSD Pyanowski stated that there are both advantages and disadvantages to recycling and that improving the recycling process is necessary to control costs. He noted that several options have been explored.

Councilmember Oswald suggested the creation of a dedicated recycling area at the new central maintenance complex that could be monitored. SSD Pyanowski stated that he would recommend recyclables continue to be transported to the recycling center located on Abbe Road.

Councilmember Schneider asked whether additional truck purchases would be required within the next two to three years. SSD Pyanowski stated that discussions with Mr. Letera indicated a capital purchase line item of approximately \$400,000.00 to \$450,000.00 should be included in future projections. He further stated that the City currently operates six side-arm trucks from the original purchase, which are approximately twelve (12) years old, exceeding the manufacturer's recommended lifespan of eight (8) to nine (9) years.

Councilmember Schneider inquired of Finance Director Pileski regarding any projections for the receipt of marijuana tax revenues. Finance Director Pileski stated that he did not have an estimated timeline for receipt of the initial deposit and clarified that such funds would be deposited into the General Fund, not the Enterprise Fund.

Law Director Deery asked about the cost of replacing sanitation vehicles. Mr. Letera explained that vehicle replacement costs are accounted for through depreciation figures reflected in the financial charts.

Councilmember Armstrong asked whether any new sanitation trucks had already been purchased. Finance Director Pileski stated that three (3) trucks had been purchased and delivered.

Councilmember Davis expressed appreciation for the senior sanitation service and stated that it is a valuable service to senior citizens in the City of Elyria.

Councilmember Tollett concurred with Councilmember Davis and stated that the City should maintain the homestead rate. SSD Pyanowski provided clarification regarding the calculation of homestead rates.

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1. CALL TO ORDER:

The strategic planning meeting of Elyria City Council was called to order on Monday November 17, 2025 at 7:44 p.m. immediately following the Regular Council Meeting.

MEMBERS PRESENT: Callahan, Cerra, Armstrong, Oswald, Mitchell, Tollett, Siwierka, Davis, Schneider, Stewart

ABSENT: Lipian

OTHERS PRESENT: Mayor Brubaker, SSD Pyanowski, Fin. Dir. Pileski, Law Director Deery, PWS Smallwood

2. The matter of REA Business Advisors Sanitation Department Rate Study

Referred By: SSD Pyanowski

President Stewart called the meeting to order and stated that the purpose of the meeting was to review the REA Business Advisors Sanitation Department Rate Study. He noted that multiple departmental analyses have been conducted, including a review of potential privatization of the Sanitation Department, which was referred to City Council by Safety Service Director (SSD) Pyanowski for presentation and discussion.

SSD Pyanowski stated that Council would be presented with rate study information as part of a comprehensive review of the Sanitation Department conducted by REA Business Advisors. The study examined operational performance, costs, and efficiencies over a one-year period. He further stated that REA completed a similar study in 2018, which was previously presented to Council, and that several issues identified in that study remain applicable. These include the continuation of existing sanitation services and the planning and development of a central maintenance garage, which is currently moving forward.

SSD Pyanowski introduced Adam Letera of REA Business Advisors to present the findings of the study. Mr. Letera was to provide information regarding current sanitation costs, projected future costs, and the rates required to support continued operations. He was also to present cost projections for a five- to eight-year period and the potential impact of those rates on residents. Adam Letera thanked Council for the opportunity to present the study results. He stated that his presentation would include historical data from the 2018–2019 study, the financial methodology utilized, the data sets used in the analysis, key assumptions for future projections, projected financial outcomes, and a summary of recommendations and conclusions for Council's consideration.

Mr. Letera further stated that sanitation-related costs have continued to increase and that the public works facility is now operational. He noted that the City of Elyria is among a limited number of municipalities that continue to provide in-house sanitation services, and that this factor should be considered in future planning and rate determinations.

Full report provided: Exhibit "A"

Council member Tollett moved to maintain the sanitation department as is, and refer the rates to the finance committee for final review, seconded by Council member Mitchell.

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Councilmember Siwierka suggested that if and when marijuana tax revenues are received by the City, such funds could be used to subsidize salaries within the General Fund.

President Stewart stated that the rate study reflects a difference of \$18.13 and noted that sanitation rates are expected to continue increasing. He stated that a five percent (5%) increase would be inevitable. Finance Director Pileski added that current rate increases are fifteen percent (15%) for water and three percent (3%) for sanitary sewer services.

Council member Tollett moved to maintain the sanitation department as is, and refer the rates to the finance committee for final review, seconded by Council member Mitchell.

AYE: Callahan, Cerra, Armstrong, Oswald, Mitchell, Tollett, Siwierka, Davis, Schneider,

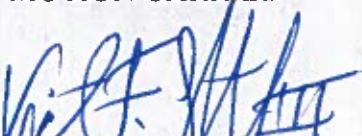
NAYE: Stewart

MOTION CARRIED

3. ADJOURNMENT:

Mitchell moved, Armstrong seconded to adjourn the Strategic Planning Meeting at 8:35 p.m.

MOTION CARRIED



Victor Stewart, III
Clerk of Council



Donna Mitchell
President of Council

YouTube Link: <https://www.youtube.com/watch?v=rhbWepeFJj8>

Rlp /

From: Chris Pyanowski
Sent: Monday, October 6, 2025 4:04 PM
To: All City Council Members
Cc: Kevin Brubaker; Amanda Deery; Ted Pileski; John Farrell
Subject: Sanitation study Executive Summary
Attachments: DOC257.pdf

Good afternoon,

Attached is the executive summary that I previously mentioned that I hope is helpful with our discussion surrounding the sanitation study. This is not meant to replace the full reports and pieces of information but is meant to highlight some of what I believe are the key pieces of information. I hope it accomplishes that. As previously offered, please let me know if you would like to meet with me to discuss the study and/or the sanitation department.

Chris Pyanowski, J.D., M.B.A.
Safety Service Director
City of Elyria
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CITY OF
ELYRIA

KEVIN A. BRUBAKER, MAYOR

October 6, 2025

To: Elyria City Council members
From: Chris Pyanowski, Elyria Safety Service Director

Introduction

The city administration and city council agreed to undergo a review of our sanitation department to determine what efficiencies we may be able to identify in our operations, how our costs charged to residents compare to surrounding communities, and ultimately, whether the city should continue to provide sanitation services or whether we should look to contract with a private third-party provider. In order to undergo this review, the administration engaged a *financial study* to review our current sanitation related costs and project costs into the future, a *route study* to determine if our routes could be reorganized to provide efficiencies and savings, and requested *bids* to replace our sanitation service by a private third-party provider.

The Elyria Sanitation Department currently provides garbage, recycling, bulk pickup, and forestry, including brush pickup services, to Elyria's approximately 17,250 customers. Each day, the department conducts at least four garbage routes, two bulk routes, and three recycling routes. Brush pickup is scheduled to be provided daily but is dependent on staffing levels, with up to four routes being dispatched. The sanitation department employs a total of twenty-three employees.¹ Forestry services are provided by three employees assigned to that department, which falls within the sanitation department. Our garbage and recycling are disposed of at the landfill operated by Browning-Ferris Industries of Ohio, Inc. dba Republic Services of Elyria, located at 43502 Oberlin Elyria Rd., Oberlin. We employ two Central Maintenance Garage employees whose responsibilities largely revolve around maintenance of sanitation trucks.

Elyria's sanitation rates were raised by \$5.00 at the beginning of 2025 to \$33.38 (\$24.87 for a customer who qualifies for a homestead rate²). This was the first rate increase since 2018. Elyria has a contract for disposal of garbage at the landfill and pays a current rate of \$59.59 per ton, with 7% annual increases starting January 1, 2026. Elyria does not currently have a contract with the landfill for recycling disposal and is charged a rate of \$100.00 per ton. If the load is more than 30% contaminated, we are charged a contamination fee of an additional \$75.00 per

¹ The 23 sanitation employees include 2-165 employees, 17-AFSCME full time employees, and 3 part time employees. There are an additional 4 employees assigned to Forestry which include 1-165 full time employee, 2-AFSCME full time employees, and 1 part time employee.

² Currently, there are approximately 2,237 residents who receive the Homestead discount.

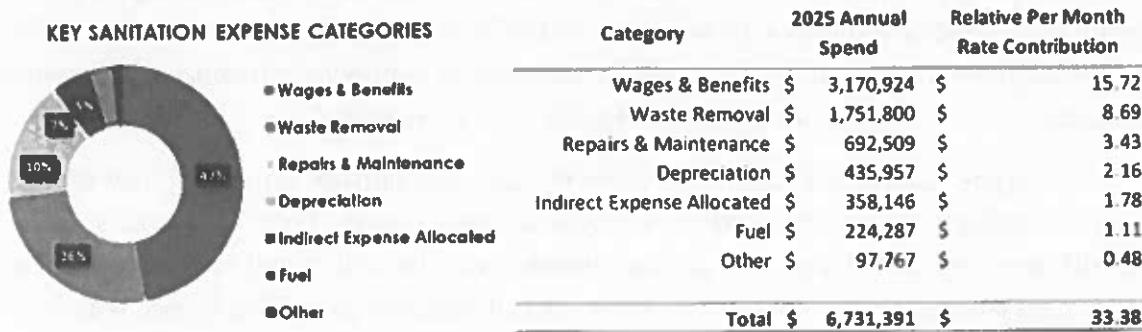


ton. In 2024, Elyria disposed of 22,669.79 tons of solid waste and 675.65 of recycling at the landfill and MERF (Materials Recovery Facility), respectively.

Financial Study

We contracted with REA Business Advisors to complete this study, focusing on our current costs for sanitation services and projecting costs into the reasonable future. REA had completed a similar analysis of the Elyria Sanitation Department in 2018 and made recommendations. REA worked with the Safety Service Director and the Finance Director's Office to gather current information and data to complete the report.

REA studied the current services provided by the sanitation department and considered the costs of providing each service.



As illustrated in the chart above, the expenses of the sanitation department are driven by wages and benefits, waste removal, and repairs and maintenance. Given that these costs are unlikely to be reduced due to their character, controlling the costs of providing sanitation services will be challenging. Wages and benefits will continue to increase as will the costs of waste removal. Repairs and maintenance may hold steady with the purchase of new sanitation trucks and replacing the aging fleet, assuming the new vehicles will need less repairs.

Analysis was completed regarding the recycling program to determine the costs of the program and explore the possibility of discontinuing this service in order to keep sanitation services within acceptable costs. REA determined that the recycling program costs Elyria \$1,619,661.00 per year and discontinuing it would save an estimated \$752,447.00. Eliminating the recycling program would not immediately eliminate personnel costs associated with it, which accounts for some of the disparity in the numbers. Over time, staff could be reduced through attrition since less drivers would be needed each day due to the elimination of the three recycling routes. Presumably, we would also be able to reduce the fleet by the three oldest sanitation side-loading trucks. However, I question whether resident's desire to have this service vs. the



CITY OF
ELYRIA

KEVIN A. BRUBAKER, MAYOR

possibility of cutting it. Furthermore, I would anticipate that if this service were to be eliminated, it would be reasonable that residents would demand a reduction in their rates.

The sanitation fund reimburses other funds for administrative services and billing services completed by the utilities department. The administrative services are reimbursed at 5% of the fees from customers collected by sanitation. The reimbursement for the billing services provided by the Utilities Department are 2% of the expenses incurred by the Utilities Department payroll. In 2024, these reimbursements totaled more than \$350,000. These reimbursements should be taken into consideration when evaluating the effect of the Sanitation fund on the City as a whole.

In order for the sanitation fund to stay solvent through 2031, the REA recommended 5% YOY increases. To accomplish this, our rates would need to be increased 5% each year from the rate the year before. This is what our rates would be over the next five years under that structure:

	Annual Data Points							
	2025	2026	2027	2028	2029	2030	2031	
Residential Rate \$	33.38	35.05	36.80	38.64	40.57	42.60	44.73	
Homestead Rate \$	24.87	26.11	27.42	28.79	30.23	31.74	33.33	
Revenue Projection (in Millions) \$	6.98	7.33	7.70	8.08	8.48	8.91	9.35	
Expense Projection (in Millions) \$	6.73	7.08	7.46	7.90	8.36	8.85	9.36	

It is necessary that Council impose these rate increases starting in 2026 so that the Sanitation Department has the necessary financial support and resources. Similar recommendations regarding rates were recommended in 2018 and not adopted. The failure to increase rates historically has contributed to the challenges in the sanitation department including, by not limited to, the current condition of the fleet of garbage trucks.

Route Study

Elyria engaged with consultant Routeware to conduct a route optimization study. The purpose of the study was to try and identify efficiencies and opportunities within our sanitation route structure that would ultimately save money. Elyria's routes have not undergone a study like this for at least fifteen years. Growth within the city has continuously been added to the proper route and the sanitation department has shifted stop locations within the route structure when necessary. This has resulted in some disproportionality within our routes each day and the days comparatively throughout the week.

Initially, there was a thought that perhaps all routes could be completed in four days, with a standard week being sanitation pickup Monday through Thursday. Friday would be the day used when the week flexes due to a holiday or could be used for alternative sanitation services such as new cart delivery, truck maintenance and cleaning, and additional brush pickup. There are 9 holidays currently recognized by Elyria which impact and may cause a delay in sanitation



pickup. This idea was not pursued because, partially, even though helpful for weeks when there is a holiday by eliminating the need to run services on Saturday which would reduce overtime, it is not believed that there is sufficient work for the department on the other forty-three Fridays of the year. Furthermore, to reduce standard service to four days, it would require each route to be longer and there was not confidence that these larger routes could be completed in the standard workday, thereby necessitating additional overtime.

The two recommendations of Routeware focused on were balancing the routes within the workday or balancing the routes across the work week. The largest difference of the two options is disruption to customer's current scheduled pickup days and the ability to eliminate two and a half routes on Tuesdays and Wednesdays. Option 1 focused on making all routes balanced by time and stop counts, which optimizes our routes currently and factors in our potential need to add and move stops to account for future developments coming online. This would require 503 current customers to change their current scheduled pick-up day. Option 2 focused on balancing Monday, Thursday, and Friday routes, with Tuesday and Wednesday having a lesser number of pickups. This option would allow us to eliminate one garbage route, one recycling route and half of a bulk route on Tuesdays and Wednesdays. As development continues on the south side of town, we may have to add routes back on Tuesdays and Wednesday but this reduction in routes should be sustainable for the foreseeable future. This change would require 1,642 customers to change from their currently scheduled pickup day; this is approximately 10% of our customers.

Bids

Elyria requested bids from private third-party companies who may be seeking to contract with the city to provide sanitation services to our residents. The bid request was tailored as closely as possible to solicit services that mirrored what are currently being provided so that the pricing could be compared to our current rates. This included weekly unlimited bulk pick up, garbage and recycling pickup weekly, backyard pickup for residents who need it³, and brush pickup. While the companies are likely to be stricter with the some of the services they may provide, such as brush having to be cut into four-foot pieces and bundled by the customer, the services are largely the same. We received three bids from the following local companies: Republic Services, Kimble, and Rumpke.

Bidders were required to submit bids for a five-year contract with three one-year mutual options, showing pricing for each year. They were also required to submit a per cart bid for our approximately 17,545 garbage carts and 17,459 recycling cans which include those issued to residents as well as the replacement inventory that we had in stock at the time of the bid request.

³ Currently, Elyria has approximately 200 residents who use the backyard service.



CITY OF
ELYRIA

KEVIN A. BRUBAKER, MAYOR

The cans would be phased out by the service provider over time and replaced with their own cans.

The lowest and best bid was submitted by Republic. Republic's bid to provide the City sanitation services in their standard bid is as follows:

	Regular	Homestead
2026	\$18.96	14.13
2027	\$19.72	14.69
2028	\$20.51	15.28
2029	\$21.33	15.89
2030	\$22.18	16.53
2031	\$23.07	\$17.19
2032	\$23.99	\$17.87
2033	\$24.95	\$18.59

The trash would be disposed of at the Republic Landfill and the recycling processed at Republic's Materials Recovery Facility (MRF), both located in Oberlin. This is the current disposal location of Elyria's garbage and recycling. Republic also submitted two alternative bids, should we be interested in changing our current pricing structure. One is if we were to charge the same rate for all residents and the other offers a Senior discount similar to what other communities offer, but that is less than the current homestead discount that we currently offer.

Republic would bill the City for the number of accounts multiplied by the rate each month and the City would submit a lump sum payment to Republic. The City would continue to bill residents for sanitation services and be responsible for collection, leaving the City floating the payments to Republic until collection can be made from the residents. The rate that Republic charges the City would not be the same rate charged to residents due to additional costs for services that the City would continue to provide.⁴

Sanitation Fleet

The garbage truck fleet currently consists of 18 total trucks (13 side loaders, 5 rear loaders). Trucks 1205 and 1207 are in the graveyard and are out of service. We are pulling parts from them to repair the other similar era trucks that we can no longer order parts for and eventually they will be sold on Govdeals. The current cost of a side loading garbage truck is

⁴ The City would need to add our costs for billing. Currently, admin costs for administrative fees are paid out of the Sanitation Fund. Costs associated with the Forestry Department are paid out of the Sanitation Fund. These, and other possible costs would need to be addressed.



CITY OF
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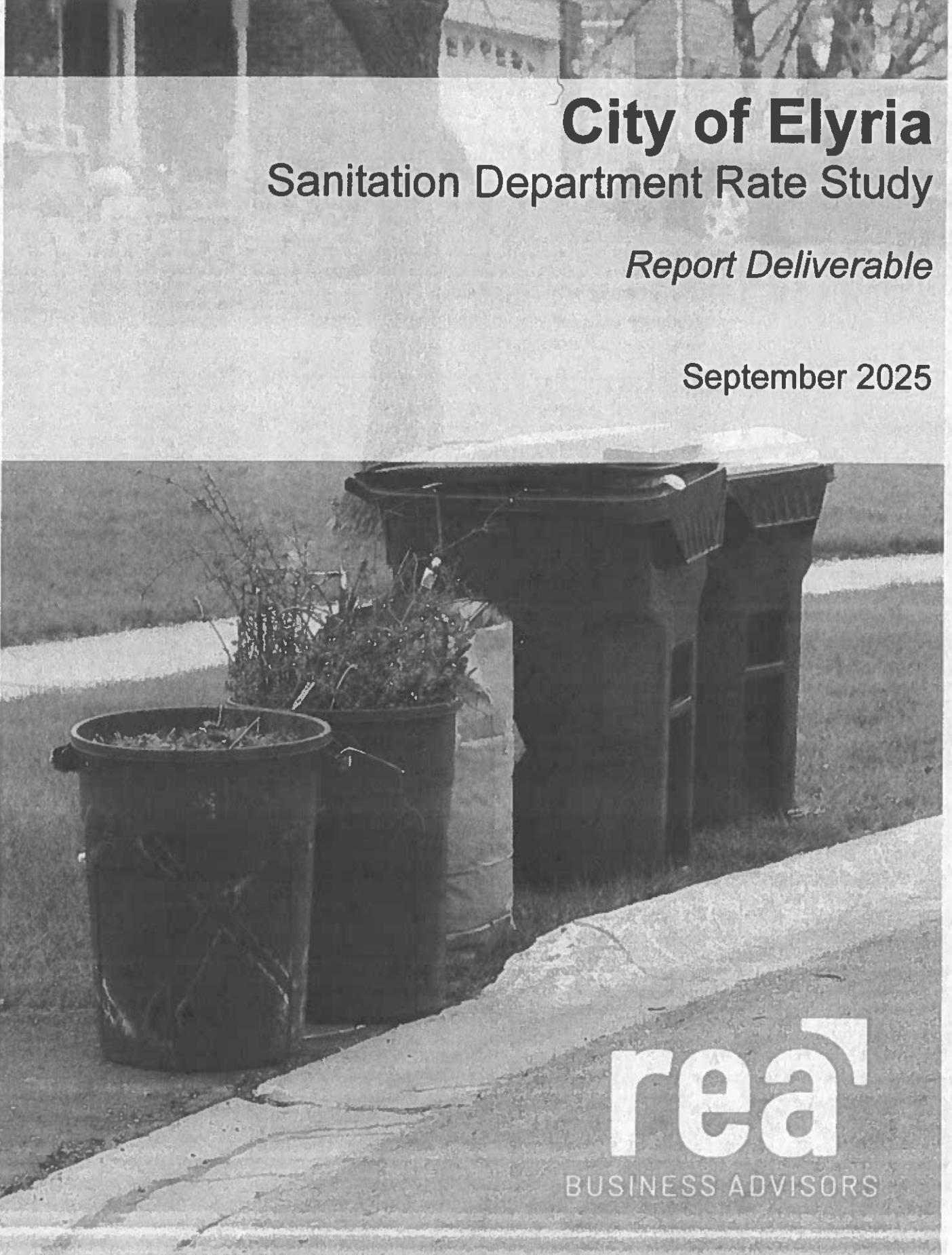
KEVIN A. BRUBAKER, MAYOR

\$405,00-450,000 and the current cost of a rear loading garbage truck is \$275,000-300,000. The lead time to order and have a garbage truck delivered and put into service is 18-24 months. The estimated lifespan of a garbage truck is 8-10 years. Six of our garbage trucks that are still in service are ten years or older. The department also has 8 work trucks and five chipper trailers assigned to it. The department dispatches four garbage routes, two bulk routes, and three recycling routes each day, with each route requiring a minimum of one truck. Currently, the Central Maintenance Garage employs two mechanics who spend the majority of their time maintaining the sanitation department fleet.

The City should adopt a capital purchase plan whereby the City commits \$400,000-450,000 of the Sanitation Department's annual budget to purchasing capital equipment. With this plan, the department should purchase a side loader truck each year for the first three years, a rear loader the fourth year, and other capital equipment the fifth year. In the sixth year, the cycle would start over at the beginning. As new garbage trucks are put into service through this program, the oldest or least reliable truck in the fleet could be sold off, hopefully recouping some financial benefit. The City most recently purchased two side loader trucks using ARPA funds and one rear loader truck using the .5% income tax levy revenue.

Conclusion

The Elyria Sanitation Department provides an essential service to the residents of Elyria. The costs of providing this service will continue to increase and the rates would need to increase accordingly for the City to continue to provide the service.



City of Elyria

Sanitation Department Rate Study

Report Deliverable

September 2025

rea
BUSINESS ADVISORS

Table of Contents

INTRODUCTION	1
METHODOLOGY	1
Rate Study	1
Current Service Offering Review	2
Reimbursed Expenses to Other Funds Review	2
GASB 68 & GASB 75 Impact	3
SIGNIFICANT ASSUMPTIONS MADE	3
Revenue & Expense Items	3
Cash Flow Items	9
RATE STUDY RESULTS	10
Current State – No Changes to Rates or Operations	11
Other Analyzed Scenarios	11
RECOMMENDATION(S) & CONCLUSION	17
Rate Study & Future State of the Department	17
Reimbursement of Shared Expenses to Other Funds	21

Introduction

The City of Elyria's Sanitation department provides trash and other refuse collection services for its citizens by operating its own fleet of collection trucks and employing its own workforce. The City then charges a monthly rate to each household to cover the costs of providing these services. Though the department has made ongoing improvements to its operating efficiencies including schedule management policies and structured maintenance programs, the fee increases charged to the citizens of the City for these services is not projected to keep up with increasing costs to operate the department. Several new contracts have taken effect since a prior rate analysis 2019 that continue to increase the future disposal costs for all channels of waste disposal. A \$5 per month rate increase was implemented in 2025 for both Residential and Homestead rates. However, future projections still indicate a need for more revenue to cover operating costs.

In addition, the City is moving forward in building a new \$22M central public works facility for use by various departments within the City's operation. The Sanitation department will receive use of the new garage but will also help cover the cost through their ongoing (and potentially increasing) Indirect Reimbursement to the General Fund.

Because of the aforementioned issues, as well as the potential to eliminate or reduce some of the Sanitation department's expenses by changing pickup schedules or eliminating services altogether, it was determined that an updated study of the rates charged to the citizens by the Sanitation department for its services needed to be completed along with a review of other aspects of the Sanitation department.

Methodology

RATE STUDY

The analyses performed were based primarily on the City's Annual Comprehensive Financial Report (ACFR) for the years ending December 31, 2023 and December 31, 2024. Because it is our belief that accrual accounting performed under the Generally Accepted Accounting Principles (GAAP) method of accounting provides the best financial representation of what is actually happening operationally, we based our entire analysis on the department's results under that method. While the Statement of Revenues, Expenses, and Changes in Fund Net Position under the accrual method provides the best glimpse into the financial performance of the department, there are significant cash outlays, such as capital acquisitions and debt service payments, that are not captured within that financial statement. Because of this, we completed detailed cash flow analyses that take those major cash expenditures into consideration and projects the department's future cash balance. It is our belief that using a combination of these



two analyses will provide the best financial picture for the department and its corresponding fund.

Using the City's ACFR from 2023 and 2024, we analyzed the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows for the Sanitation fund. In addition, we obtained general ledger detail for the fund for both of the years represented above. We first summarized this detail by general ledger account to develop a starting point for typical departmental expenses by type. Then, we grouped similar general ledger accounts together to form functional expense accounts. From there, we analyzed each functional expense account to determine whether we thought it was appropriate to apply a Year-over-Year (YoY) percentage increase to the account or if further analysis was needed. After making a determination for each account, we performed the necessary detailed analyses, layered in the YoY increase assumptions, and projected out the department's financial performance through 2031.

We performed the same type of analysis with regard to the department's cash flows. For each year, we started with the Net Revenues Over/(Under) Expenses from the projected Statement of Revenues, Expenses, and Changes in Fund Net Position and adjusted for both non-cash expenses, such as Depreciation, and cash outlays not captured in the Statement of Revenues, Expenses, and Changes in Fund Net Position such as capital acquisitions and debt service payments. After calculating this projected net change in cash, we applied it to each year's beginning cash balance in order to come up with the ending cash balance that would carry to the next year. By doing this, we were able to determine how long current rates charged to customers would be sufficient to meet the department's cash flow needs.

To support the activities above, we had access to prior projections and assumptions from the prior 2019 analysis, and were able to get answers to follow-up questions through the Safety Services Director and his team. This information along with our review of prior financial results provided the base as we made assumptions about the future to develop projections.

CURRENT SERVICE OFFERING REVIEW

In the 2019 analysis, Rea reviewed a number of the current services that the Sanitation department offers to its customers above and beyond trash and recycling collection. These services included tree lawn tree maintenance, large item pickup, and brush/leaf pickup. We based a large percentage of our past review and analysis for this on our conversations with the City's Safety Services Director and the Sanitation Department Manager. Through our interviews and correspondence, we obtained a thorough understanding of how each of these services works and what types of activities are required for each one. We then evaluated each service against the department's financial results to help determine what incremental expenses we could apply to each service. From there, we created various scenarios and developed projections based upon these scenarios to help understand what the financial picture for the department could look like into the future if any changes were made to the current service offerings. For all intents and purposes, the assumptions around these services remained in place for the 2025 analysis with updated dollar figures more reflective of current rates.



An additional focus in this 2025 analysis was to isolate the cost of offering recycling and understand the full scope of what this service adds to the expense footprint of the department. This information was deemed important as the City explores ways to improve program utilization through community education and enters future recycling rate negotiations with recycling providers.

REIMBURSED EXPENSES TO OTHER FUNDS REVIEW

To perform our original review of the current methodology regarding the reimbursement of expenses to other funds within the City, we first obtained the spreadsheets where the current calculations are being performed from the City's Finance Director and Assistant Finance Director. From there we developed a thorough understanding of the current methodology, the reasons behind the methodology, and made a determination as to whether or not we felt that the methodology was appropriate before we made any recommendations on improvements that could be made to the process. All assumptions from the prior analysis are still in place.

GASB 68 & GASB 75 IMPACT

When performing analysis of and completing projections on the financials of the City's Sanitation department, the impact of GASB 68 and GASB 75 was not included. We determined this to be the most appropriate way to analyze the fund's financials for the following two reasons: the booking of this expense to the department's financials in the annual ACFR does not represent an actual cash outlay, either in the current period or in the future, that takes place but rather can be thought of as an accounting only adjustment done solely for financial statement purposes. In addition, it is not likely or anticipated that the actual corresponding liability that is booked will ever come due and nor will there ever be a situation where the City and the fund would have to expend actual cash to satisfy the liability. We discussed this with the City's Finance Director and it was agreed that it was best to leave the impact of these Accounting Standards out of the analysis. In any instance throughout the study where a forward-looking projection was completed, the results are shown without any calculated impact of GASB 68 or GASB 75.

Significant Assumptions Made

Our analysis looked at the future financial performance of the fund under several different scenarios as discussed with the Safety Services Director. The assumptions made that were different under each scenario will be discussed as a part of the Study Results in a later section. However, there are a number of assumptions that had to be made when projecting out the financial performance of the fund that held true across all of the scenarios analyzed.



REVENUE & EXPENSE ITEMS

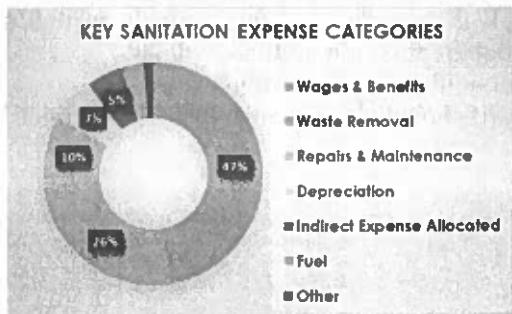
Customer Revenue

Through our discussions with the City's Safety Services Director, it was determined that the customer base for the Sanitation department was expected to change very little in the coming years. Since all of the citizens within the city limits are required to use the City's Sanitation services there was no need to consider whether a loss of customers would greatly impact the analysis. Because of this, we based the projected customer counts on what was reported as current as of year-end 2024 and rounded to the nearest 50. These reported amounts were 15,743 Residential customers and 2,237 Homestead customers. A homestead is a "residential" account; it is just charged a reduced rate because it qualifies for the Homestead rate. Our projections all used customer counts of 15,750 for Residential and 2,250 for Homestead.

From a rate standpoint, we used the actual rate for 2025 that was approved by the City Council as the baseline in all scenarios. For the remainder of the years analyzed after this, the rate assumptions changed based on the scenario being analyzed and will be discussed in the Study Results section for each scenario.

Expenses Baseline

Looking at 2025 as a baseline, it was considered important to display the magnitude of key expense buckets for the Sanitation Fund. Below is a visual of these key high-level expense buckets as percentages as well as a table displaying approximate annual dollars and the per month proportional rate contribution to each expense category.



Category	2025 Annual Spend	Relative Per Month Rate Contribution
Wages & Benefits	\$ 3,170,924	\$ 15.72
Waste Removal	\$ 1,751,800	\$ 8.69
Repairs & Maintenance	\$ 692,509	\$ 3.43
Depreciation	\$ 435,957	\$ 2.16
Indirect Expense Allocated	\$ 358,146	\$ 1.78
Fuel	\$ 224,287	\$ 1.11
Other	\$ 97,767	\$ 0.48
Total	\$ 6,731,391	\$ 33.38



Expense Accounts Assuming a YoY Increase

Below is a listing of each of the functional expense accounts where we assigned an appropriate YoY increase based on a percentage increase over the prior year. With the exception of Wages, which was based on the current Collective Bargaining Agreement for 2026-2027, we based the YoY percentages on 2023 and 2024 historical data as well as projections from the prior analysis compared to actual increases.

We felt it was most appropriate to look at current data and project forward based on the nature of the account itself and what happened between 2023 and 2024. We also referred to the actual 2025 budget for reasonability in year one increases.

Accounts that were assigned a 2.6% YoY increase were assumed to follow projected average inflation from an increase perspective (this assumes most recent projections for 2025 at 2.9% and leveling down to 2.3% by 2029). Other accounts, such as repairs & maintenance (R&M), and supplies were assigned a higher YoY increase due to their increase between 2023 and 2024 and compared to the prior analysis. More specifically in relation to R&M, we felt that a higher YoY increase was appropriate to support the growing and changing capital asset needs of the department. 2024 financial results were the baseline used to begin projecting these costs using the YoY assumptions.

Expense Account	YoY Increase %
Wages	5.0%
Repairs & Maintenance	10.0%
Fuel	5.0%
Supplies	10.0%
Insurance	2.6%
Professional Fees	2.6%
Outside Services	2.6%
Utilities	2.6%
Rent	5.0%

Waste Removal

To project future waste removal costs, we first evaluated the waste removal account to get an understanding of what current costs were. Total waste disposal costs were \$1,751,800 and \$1,839,390 for 2023 and 2024, respectively. While projected contract rate increases were available through 2027 (7% annually), we were also able to observe significant and consistent overall waste disposal cost increases from the prior analysis in 2019 until current state with no indications in our conversations with leadership that the increases will decline. Based on the



proportion of these contracted annual increases to the total expense and the available history, the waste disposal annual increase rate was assumed at 5%.

Fringe Benefits

We included the following benefit types, based on general ledger accounts, in the fringe benefits functional expense account:

- Accumulated Sick
- Accumulated Sick – Buyback
- Bereavement Leave
- Comp. Time
- FICA - Medicare – City Share
- Holiday
- Hospitalization – Family Plan
- Hospitalization – Single Plan
- Jury Duty
- Spousal Health Insurance Reimbursement
- Vacation
- Vacation – Buyback
- VSP Eyecare – Family Plan
- VSP Eyecare – Single Plan
- Workers' Compensation

Total fringe benefit expense for 2023 and 2024 was \$946,980 and \$951,421, respectively. We compared this total cost to the total wages line item to come up with a ratio between fringe cost and wage cost. Though we understand some of these costs, especially hospitalization, can be fairly volatile, we felt that projecting these costs based on a percentage of wages was both adequate and appropriate. Per our analysis, fringe benefits were 54.7% of total wages in 2023 and 58.7% of total wages in 2024. Because of the large increase between the two years and the general overall trend of increases in healthcare, which was the largest line item, we conservatively projected fringe benefit cost in each scenario by multiplying the projected total wages by 59.0%.

We did not include retirement expense or longevity pay as part of fringe benefits as we analyzed those accounts separately.

Depreciation

The primary assumption in projecting depreciation was determining what the estimated depreciation will be on assets acquired via the future capital spend within the department. That was coupled with the assumption that as assets are fully depreciated they will shortly thereafter be retired and replaced. From our conversations with the Safety Services Director, we determined that an appropriate yearly run model capital spend amount for the department was



\$400,000-\$450,000 annually. This is the estimate of what is needed to continually replace the trucks and equipment that the department operates and remove the trucks and equipment from service once they can no longer function as they should.

While we do not have a set amount allocated to the Sanitation department relative to the new public works facility, the depreciation projection is likely still a conservative figure for the life of the analysis. The 2024 base depreciation figure was increased each year based on a \$350K budgeted capital expenditure in 2025 and \$450K each year thereafter. To actually put these future assets in-service and project their depreciation, we needed to make assumptions about each type of capital spend as to what the life of the assets would be and when the assets were projected to go into service. Conservatively we assumed a 10-year life for all of this spend and that the entire amount would be placed in service in each year.

When considering the new \$22m public works facility, it is important to note that we have not assigned any new depreciation expense or debt servicing in the use of cash to the Sanitation fund. Per discussions with Assistant Finance Director John Farrell, this is largely due to revenue contributions from tax levies to the construction project as well as the shared use of the facility by multiple city departments. This aspect was unlike the prior analysis where both depreciation and debt service assumptions for the new facility were built into the base model.

Reimbursed Expenses to Other Funds

Each year the Sanitation department makes cash reimbursements to both the General fund and Utilities fund for services that are provided by each of those departments to Sanitation.

Reimbursements to the General fund are for administrative and management services that City employees in the General fund provide to Sanitation. The reimbursement rate to the General fund, per City Ordinance 88-334, is 5.0% of the fees from customers collected by Sanitation.

Reimbursements to the Water fund, and more specifically the Utilities department payroll within that fund, go to help cover the cost of billing for Sanitation services. The billing for Sanitation services is included on each customer's water bill and those bills are administered and generated by employees in the Water fund. The reimbursement rate to the Water fund, per City Ordinance 88-335, is 2.0% of the expenses incurred by the Utilities department payroll.

In 2023 and 2024, there was \$346,895 and \$350,094 of expense reimbursed to the other funds by Sanitation, respectively. The majority of this reimbursement was to the General fund based on receipts by the Sanitation department. Because there are no planned rate increases within the Sanitation fund, we used a base 2.0% YoY increase for this line item to help account for minimal increases in the Utilities department payroll. In the scenarios projecting rate increases, we increased the Reimbursement in line with increased fee collections.



Retirement

Retirement expense was projected using a base rate of 14.0% of eligible compensation. To determine what eligible compensation was, we compared the actual retirement expense amount for 2023 and 2024, which was \$317,800 and \$291,774 respectively, to wages and other compensation type accounts, most of which are included in fringe benefits, which are also eligible for retirement contributions. From this analysis, we determined that additional compensation that is eligible for retirement, such as vacation and longevity pay, represented about an additional 30.0% increase over the wages that are eligible. Using this factor, we were able to add 30.0% to the projected wages to establish a total for eligible compensation for retirement. We then multiplied that total compensation number that was calculated by 14.0% to project retirement expense for future years.

Tree Maintenance

The tree maintenance account was used in the prior 2019 analysis and represented the cost for third party services to manage and upkeep tree lawn trees throughout the city in emergency situations or where the City's employed forester does not have the requisite expertise to perform the maintenance needed. This expense line has the tendency to vary quite a bit due to the fact that it represents the cost for emergency services. This account had no dollars charged to in 2023 and 2024. In speaking with the City's Safety Services Director it was determined that in the City is still incurring this expense it has just been classified under a tax levy fund. For sake of the analysis we still compiled all relative costs related to this activity so the impact to expense could be clear regardless of which fund bears the cost.

Longevity

To project longevity pay we used a combination of historical results and future assumptions based on the current employee Collective Bargaining Agreement (CBA). Per that agreement, the increase in an employee's longevity pay percentage, which is calculated on their base salary or wages, is a 5% increase every five years. An employee maxes out their longevity percentage at 20.0% after 20 years of service.

Longevity pay amounted to \$154,469 in 2023 and \$144,945 in 2024. We compared these amounts to total wages for both years to determine a baseline. From 2023 to 2024, longevity pay as a percentage of total wages increased by a negligible 0.2%. Since this was far below the 1.0% that could be assumed based on the CBA, we felt it was not appropriate to assume a full 1.0% increase each year starting with 2025. Our prior analysis in 2019 did assume the annual 1.0% increase but this proved to be overstated and likely not accounting accurately for new hires and natural attrition. We instead used an increase of .25% each year 2025 through 2031 resulting in a 2031 rate of 10.7% of total wages.



Below is the longevity pay as a percentage of total wages used for each year of the projection.

2023	2024	2025	2026	2027	2028	2029	2030	2031
8.9%	8.9%	9.2%	9.4%	9.7%	9.9%	10.2%	10.4%	10.7%

Interest Expense

Interest expense was projected based on an analysis of current long-term debt as well as future long-term debt.

For long-term debt that existed as of December 31, 2024, there was a balance of general obligation bonds of \$250,000. After a 2025 principal payment of \$250,000 and budgeted interest of \$11,563, this balance will be at zero. We have not assumed any additional debt servicing past 2025 relative to the new public works facility.

CASH FLOW ITEMS

Changes in Statement of Net Position Items

We did not make any adjustments to the following Statement of Net Position accounts when projecting the future cash flow for the fund:

- Interest Receivable
- Accounts Receivable
- Accounts Payable
- Contracts Payable
- Accrued Expenses

Each of these accounts represent revenues or expenses from operations that has been recognized in the Statement of Revenues, Expenses and Changes in Fund Net position but not yet realized on a cash basis. From a fund performance standpoint, each of these have been factored into the analysis of Adjusted Net Revenues Over/(Under) Expenses analysis. The cash inflows and cash outflows represented by each of these accounts is inevitable and over the long-term the balances in each of these accounts ends up being more of timing difference vs. an adjustment to revenue or expense. There will be natural fluctuations both up and down in each of these accounts and each of these could be managed appropriately on their own to help drive positive cash flow if ever needed. Because of this, we determined there was no need to make an adjustment for the natural fluctuations in these accounts for cash flow purposes.

In addition, when looking at future cash flows, we did not make any adjustments for deferred inflows or deferred outflows that are included in the Statement of Cash Flows in the City's



CAFR. These line items are related to the non-cash expense adjustments required by GASB 68 and GASB 75 discussed previously and not included in this study in any way.

Depreciation

Depreciation was added back in its entirety for cash flow purposes due to it being a non-cash expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Capital Acquisitions

As discussed previously, the yearly run model capital spend that we determined to be appropriate was \$350,000 in 2025 and \$450,000 per each year thereafter. Because of this, we adjusted the results of each year by this amount to account for cash needed to support this type of capital spending plan.

Long-Term Debt

The cash flow adjustment made for long-term debt was for principal only. Please reference the table under Interest Expense in the Revenue & Expense Items section for a detailed analysis on long-term debt and its impact on the future cash flow of the fund.

Miscellaneous Investing Activities

We did not make any adjustments for cash flows related to investing activities, unless otherwise noted in specific scenarios. Per our discussions with the City's Finance Director, it was determined that interest earned on investments is normally reinvested as opposed to being made available for department operations. In addition, the interest earned was deemed to be insignificant as it relates to the overall analysis conducted.

Rate Study Results

Projections of the Sanitation fund's financial performance were completed using the assumptions discussed previously under several different scenarios. Each scenario's differing assumptions will be discussed along with the results from each scenario. Due to limitations of negotiated labor agreements, it was assumed that significant reductions in personnel cost were not able to be achieved. It should be noted that through negotiations since 2019, the department has eliminated the practice of sanitation employees leaving once routes are completed for the day and still receiving a full day of compensation. They are now required to stay and work their whole shift regardless of when routes are completed which has contributed favorably to overall productivity and likely quality of service as the incentive to rush through routes and get out early has been removed. This practice was noted as an opportunity in the prior rate study and the Safety Services Director successfully implemented the change.

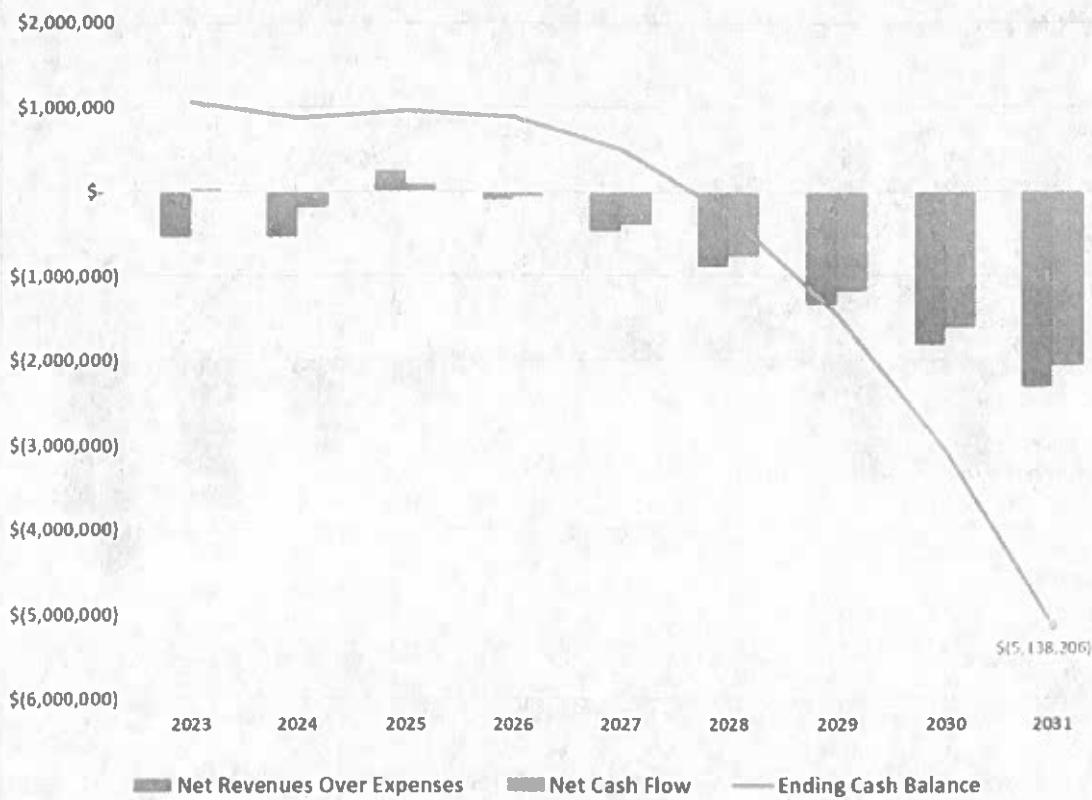


CURRENT STATE – NO CHANGES TO RATES OR OPERATIONS

Under this scenario, we assumed all of the previously discussed cost increases but did not make any changes to the rates other than what has been statutorily approved for 2025. Those rates are \$33.38 for Residential and \$24.87 for Homestead. As can be seen from the corresponding graph below, these rates are not sustainable in the long-term and as early as 2026 the department will show a fairly significant negative Net Revenues Over/(Under) Expenses. Furthermore, Net Cash Flow is projecting to be negative starting in 2026 and never recovers over the course of the projection. From this scenario we concluded that some combination of major changes were required in order to ensure the long-term viability of the department.

Annual Data Points								
	2025	2026	2027	2028	2029	2030	2031	2032
Residential Rate	\$ 33.38	\$ 33.38	\$ 33.38	\$ 33.38	\$ 33.38	\$ 33.38	\$ 33.38	\$ 33.38
Homestead Rate	\$ 24.87	\$ 24.87	\$ 24.87	\$ 24.87	\$ 24.87	\$ 24.87	\$ 24.87	\$ 24.87
Revenue Projection (In Millions)	\$ 6.98	\$ 6.98	\$ 6.98	\$ 6.98	\$ 6.98	\$ 6.98	\$ 6.98	\$ 6.98
Expense Projection (In Millions)	\$ 6.73	\$ 7.08	\$ 7.45	\$ 7.88	\$ 8.33	\$ 8.80	\$ 9.31	\$ 9.81

Current State - No Rate Changes

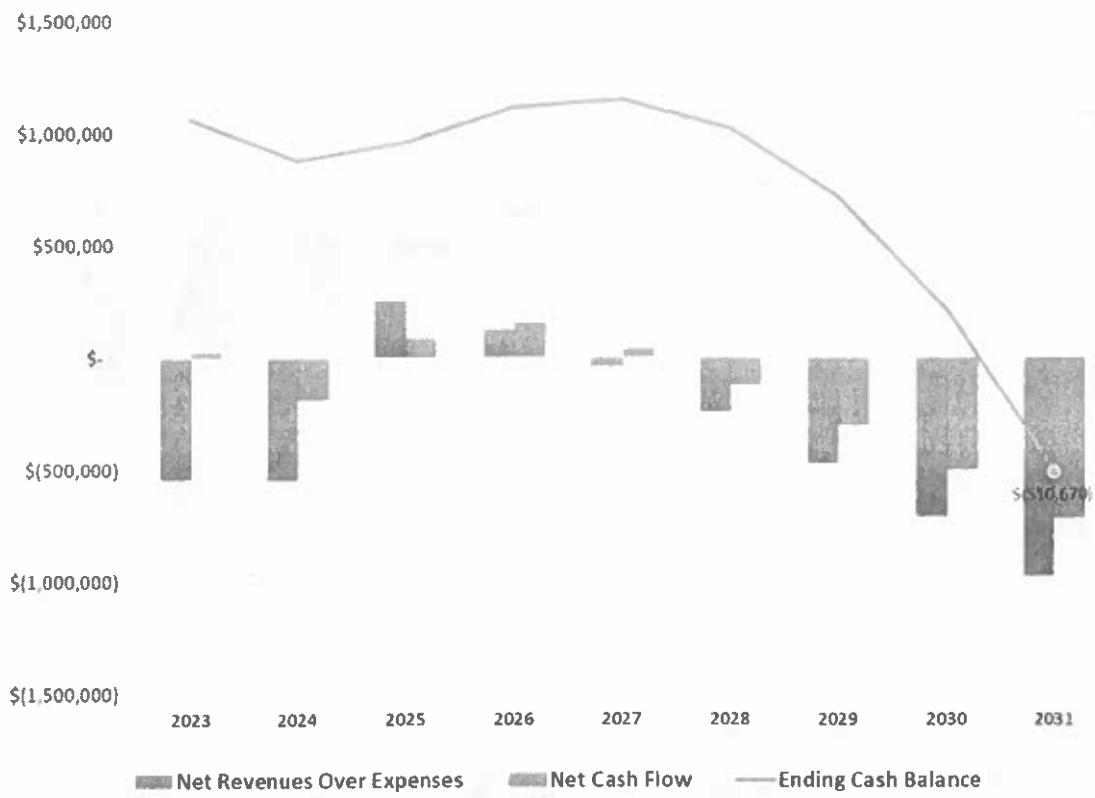


3.0% YOY INCREASE TO RATES THROUGH 2031

Under this scenario, we let all of the cost assumptions hold true but began increasing rates for both Residential and Homestead by 3.0% YoY beginning in 2026. This increase produces rates of \$39.86 for Residential and \$25.73 for Homestead by 2031. While doing this does slow down the rate at which cash is depleted, Net Revenues Over/(Under) Expenses and Net Cash Flow were both negative for all years following 2027 in the analysis. We concluded that doing this alone would not be enough to keep the department from running consistent operating deficits as well as succumbing to a negative cash position in 2031. One other variable of note is that the Indirect Expense allocation was increased in this scenario to follow the increased revenue collected.

	Annual Data Points									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Residential Rate \$	33.38	34.38	35.41	36.48	37.57	38.70	39.86			
Homestead Rate \$	24.87	25.62	26.38	27.18	27.99	28.83	29.70			
Revenue Projection (In Millions) \$	6.98	7.19	7.41	7.63	7.86	8.09	8.33			
Expense Projection (In Millions) \$	6.73	7.07	7.45	7.88	8.33	8.81	9.31			

3% YoY Increases

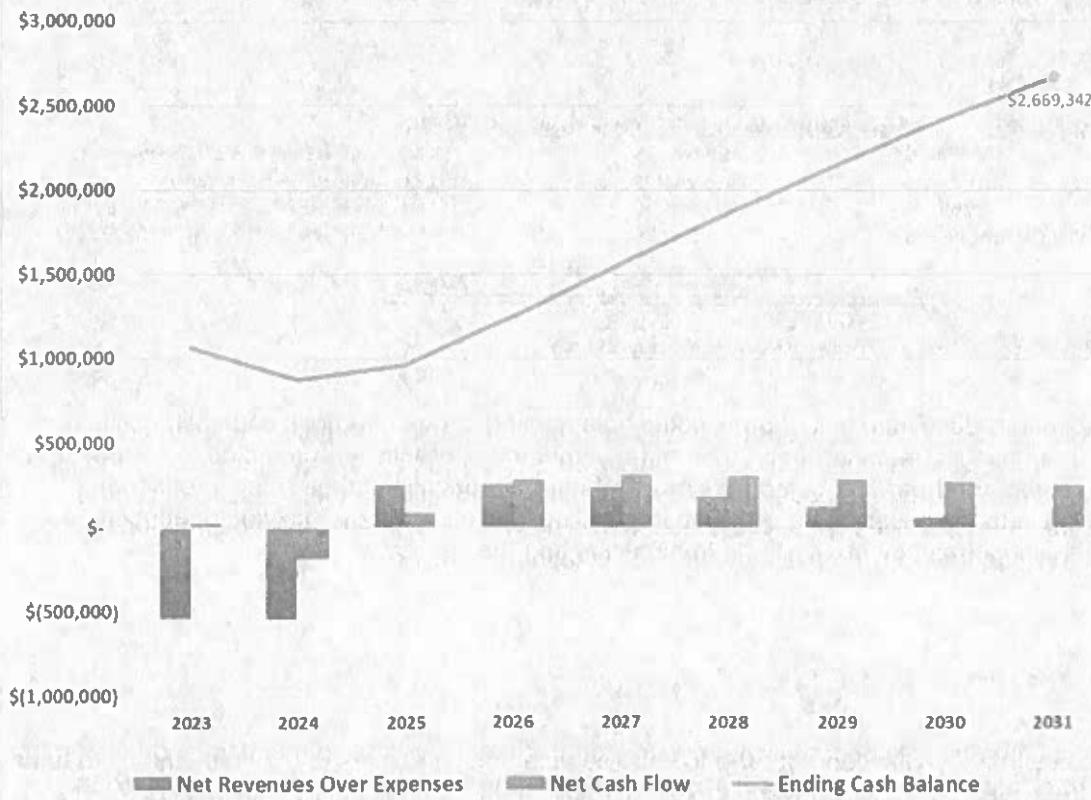


5.0% YOY INCREASE TO RATES THROUGH 2031

The next scenario that we looked at continued to leave expenses and their corresponding increases steady but instead rates were increased by 5.0% YoY, as opposed to 3.0%, beginning in 2026. By doing this, significant positive Net Revenues Over/(Under) Expenses and Net Cash Flow were generated beginning in 2026. In addition, the cash position in the fund went never went negative in this scenario. Ending rates to customers under this scenario were \$44.73 for Residential and \$33.33 for Homestead. While financially these metrics all remain positive for the fund, it is unclear whether or not rate increases to this degree can be absorbed by residents of the City over this period.

Annual Data Points								
	2025	2026	2027	2028	2029	2030	2031	
Residential Rate \$	33.38	35.05	36.80	38.64	40.57	42.60	44.73	
Homestead Rate \$	24.87	26.11	27.42	28.79	30.23	31.74	33.33	
Revenue Projection (In Millions) \$	6.98	7.33	7.70	8.08	8.48	8.91	9.35	
Expense Projection (In Millions) \$	6.73	7.08	7.46	7.90	8.36	8.85	9.36	

5% YOY Increases



COST TO PROVIDE RECYCLING

One of the areas of focus in this refreshed analysis was determining the true cost to offer the recycling program to city residents. Removing this offering may not be a viable solution but it was deemed helpful in understanding the funds operating footprint and in better understanding what the City spends to do this work in comparison to the rates per tonnage charged by the third party disposal provider. To gather these costs, we focused on three main cost buckets and then made some reasonable assumptions for remaining administrative costs and overhead. The primary cost buckets were Disposal costs, Truck expenses, and Labor. Recycling tonnage for 2024 was used and multiplied by an estimated blended cost per ton assuming 75% of recycling is "contaminated" and charged a higher rate. Truck expenses for the 3 recycling trucks were broken down by fuel and repair and maintenance. It was confirmed in this analysis that a trucking route costs roughly \$90,000-\$100,000 annually across these two expenses (\$21K is an estimated annual fuel cost per route). Labor was estimated at the fully loaded hourly wage including fringe, retirement, and longevity pay. Below is a summary of estimated total expense to offer recycling to City residents and a true potential annual reduction if the service were eliminated. This reduction estimate assumes that some waste would then divert to landfill, perhaps one of the trucks would be repurposed for other pickup activities, and that at least one of the drivers would be allocated to other department work.

Costs For Recycling Program

Cost Bucket	Total Annual Service Expense	Potential Annual Reduction
Landfill \$	105,570 \$	73,361 Assumes 20% diversion to landfill
Trucks \$	295,252 \$	196,835 Assumes 1 truck repurposed
Labor \$	318,000 \$	212,000 Assumes 1 driver reallocated in department
**Other OH Allocated \$	900,838 \$	270,252 Assumes 30% of other OH could be reduced
	<hr/> \$ 1,619,661 \$	<hr/> 752,447

**Assumes 30% of other overhead including salaried employees (non driver labor)

An expense reduction to this degree would help avoid revenue shortfalls and cash position decline at baseline rates through 2028, but by 2029 the shortfalls are projected to be too large to overcome. Furthermore, customers may demand a reduction in their rates to offset the reduction in the services being provided if recycling was eliminated. This would reduce and offset savings that may be available from eliminating the service.

ELIMINATION OF TREE MAINTENANCE

The costs that the City bears for the forestry service that it provides to maintain and upkeep tree lawn trees was originally analyzed in 2019 as part of the Sanitation funds expenses. These costs would include in-house forestry personnel, equipment depreciation, fuel, and the



emergency services that are contracted out to a third party. As noted before, these third party expenses are currently charged to a tax levy fund at around \$180K annually but they were still included in the total cost of forestry below as these costs could return to the Sanitation fund in the future. In evaluating what other costs could be reduced if this practice was discontinued we included all personnel costs for three individuals, a reduction in depreciation on identifiable assets that are related to forestry, a 5.0% reduction in overall fuel cost, and the elimination of the tree maintenance expense account which represents the third-party services cost. Wages from the original analysis were increased to be in line with current reality. We began these cost reductions starting in 2026 and the table below shows the projected cost reductions that were estimated if this action were taken.

The table below represents annual cost savings of this change. While the numbers are not insignificant, they will not be sufficient to cover net revenue shortfalls in the base scenario. They could be used in conjunction with lower rate increases (3%) to close gaps, but by 2029/2030 these gaps would be too much to overcome. In addition, it became apparent that discontinuing this service has been discussed in the past and it was determined that it is an important service that is valued by the City's council. Because of this, we felt that eliminating this service was not a long-term viable solution.

2026	2027	2028	2029	2030	2031
\$ 558,736	\$ 559,391	\$ 560,062	\$ 560,750	\$ 561,455	\$ 562,177

ELIMINATION OF BRUSH PICKUP & DISPOSAL

The next scenario that was evaluated back in the 2019 analysis was the cost savings that could potentially be realized by discontinuing the practice of picking up and disposing of brush and leaves that are left out by the street. Leaf pickup expenses mostly reside within the street department. However, the Sanitation fund bears the cost of all brush and leaf disposal via compost.

One to four trucks go out each day to pick up brush depending on staffing and storm debris needs. These materials are then taken to a compost yard that the City owns but contracts with a third party to operate. In relation to the compost yard, the City incurs a cost to dump the materials there as well as an operating fee to the third party to have the compost yard open so City residents can drop off their compostable waste on their own if they choose to. In evaluating this scenario, we assumed that the City would continue to pay to have the compost yard open and operating and would see a reduction in the disposal fee only. The total fee that the City pays the third party is approximately \$170,000 per year.

In addition to the reduction of the disposal fee, other costs that could be avoided or reduced would be a small reduction in depreciation for the equipment used to collect these materials, elimination of the personnel costs, and a reduction in fuel consumption. Wage assumptions from



2019 have been increased to be in line with current reality. All of these cost savings were assumed to be realized beginning in 2026.

The table below shows the projected cost reductions built into this scenario. It's clear that this alternative alone still does not account for large enough savings to close gaps in revenue compared to expense in the base model, however it could again be used in coordination with lower fee increases.

2026	2027	2028	2029	2030	2031
\$ 263,208	\$ 264,908	\$ 266,642	\$ 268,411	\$ 270,215	\$ 272,055

Recommendation(s) & Conclusion

RATE STUDY & FUTURE STATE OF THE DEPARTMENT

Recommendation

After reviewing the overall state of the Sanitation department and reviewing the previously discussed projected scenarios and lessons from the prior 2019 analysis we have determined that, in order for the department to continue into the future and be financially viable and stable, there are ongoing adjustments required. The costs to run the department are still continually increasing and do not appear to be slowing down. Labor and Wage related expenses account for 52% of total fund expenses. Waste disposal accounts for over 26% of total fund expense. While it is very difficult to only cut costs to maintain a position that is sustainable, these should be the highest priority areas of focus. It is noted that raising the rates charged to citizens to cover the continually increasing costs may not be fully feasible either.

In addition, one of the biggest challenges that remains for the department is the large amount of capital spend that is required to keep operations running smoothly. As noted in 2019 the total purchased cost of assets in the Sanitation department was just over \$6M. In 2025 this balance has grown to \$7.9M (Including \$175K in Construction in Progress).

Built into each of the projections previously discussed, unless otherwise noted, is capital spend of \$450,000 per year to keep equipment and vehicles up to date and in good running condition. As previously noted, no new expense or capital spend has been allocated relative to the new \$22M public works facility.

Because of the aforementioned challenges, we feel it would be best to make changes in multiple areas in order to minimize the impact to the City's citizens, overall operations, and City personnel. When reviewing what changes needed to be made and the corresponding projected



results, we worked under the assumption that a positive cash balance would always need to be maintained and based the majority of our recommended changes on what was needed to satisfy that condition.

In 2026 through 2027, rates should at least be increased 5.0% over the prior year. However, these increases should be reevaluated before communication each year as opposed to just assuming an ongoing increase. Due to the positive cash position of the fund there is room to slow rate increases and continue to evaluate the ongoing operating model. While the 5% rate increase projection keeps net revenue to expense positive, it leaves the net cash position for the fund at \$2.6M in 2031. The ongoing positive cash position is certainly not a bad outcome, however, this could be viewed as charging more than necessary. On the cost savings side of the equation, the City should look to slow the growth of wages as 5% growth in this area is a massive contributor to overall costs to the fund (52% of total fund expenses as noted above). Slowing the pace of increase for waste disposal should also be a critical focus of the department. Relative to new bids and updating contracts, the City is in a difficult position here. Landfill providers are able to increase rates while private sanitation pickup rates continue to be well under what the City needs to charge customers. Lastly, the City should also continue to optimize maintenance programs to extend truck lives, control future capital required, and reduce overall maintenance expense in general. Understanding that there will logically be some relief in capital spend offset by increased annual maintenance, these two lines should be trended and evaluated side by side as an ongoing frame of reference. All of these savings initiatives are mentioned as potential support for slowing or pausing future increases to citizens' monthly rates. An argument could also be made for a 3% increase in 2026 and 2027 with the assumption of reevaluating at that time. Again, the positive net cash position of the fund makes this a possibility. A negative of this approach would be the optics of an initial smaller increase and then a heavier increase needed if costs increase more than expected. Beginning with 5% is more prudent and allows more room to either pause or reduce increases over time if expenses slow as well.

The recycling offering represents a disproportionate expense to the Sanitation department in relation to the tons disposed. That being true, it may not ever be reasonable for the community to eliminate this service offering altogether. The City Service Director is actively exploring both educating the residents to better utilize the program and alternative options to reduce costs of the offering. The hope is this visibility and perspective on the expense of the program will help in understanding current bids for recycling disposal either way.

CONCLUSION

These recommendations are meant to be an example of different actions that can be taken to help improve the financial situation of the Sanitation fund. We believe that taking action on these recommendations in conjunction with one another is a sound approach for the following reasons:

- The City's residents will sustain increases but in a measured simply communicated way



- There is no reduction in the number of personnel
- There is no elimination of any services that the department provides,
- The ending cash balance will remain positive throughout the timeframe of the projections.

We understand that there will be concern with having a long-term need for raising rates on a consistent basis. Therefore, we would recommend reevaluating the rates at the end of 2027 to determine if continued increases would still need to be made.

If it is concluded that these rate changes, or any other major changes that will improve the financial performance of the fund, cannot be made, ongoing consideration needs to be given as to whether the City can afford to continue operating its own Sanitation department.

We noted through our conversations with the City's staff that the City of Elyria is one of only two cities, out of a total of nine, in Lorain County that still operates its own Sanitation department, as the rest have all resorted to privatization. It is also noted that the service offerings are not truly apples to apples and the City often will pick up almost anything as many times as needed regardless of policy. The question will remain as to whether or not that level of service is compatible with the rates in the eyes of residents.

The City made various rate inquiries of the other cities in Lorain County to determine what their current monthly rates are for the most comparable level of service when compared to the City of Elyria. Some of these cities had a more cost-effective rate option for a lower service level than what is shown. If that was the case, we chose the rate option that was most comparable from a service level standpoint to what the City of Elyria provides. Below are the results of those rate inquiries. All rates are shown and referenced on a per month basis.

Community	Rate	City	Rate
Oberlin*	\$15.00*	Avon	\$21.85
Lorain	\$20.75	Sheffield Lake	\$24.26
Vermilion	\$23.26	Amherst	\$24.14
North Ridgeville	\$24.47	Avon Lake	\$26.88

*Monthly rate charged does not cover complete cost of providing services and is supplemented by funds received from the collection of property taxes.

As can be seen from the table, these rates are all significantly less than the current Residential rate for the City of Elyria, which is \$33.38 (they are closer to the Homestead rate of \$24.87). From a service level standpoint, we noted that the types and frequencies of services that were included in the rates shown are relatively comparable to the City of Elyria with the exception of bulk item pickup, which was almost universally once per month in these other cities.



In addition, the City with the lowest rate charged extra for yard and brush waste and only allowed two bulk item pickups per year as opposed to once per month or unlimited. Ironically, only one other City offered a truly unlimited waste disposal option from both a volume and frequency standpoint, which is most similar to the City of Elyria.

Because the City of Elyria would be very uncompetitive with surrounding cities if the recommended rate increases were approved, we believe that further investigation and research should be conducted as to the feasibility of having a private third party provide refuse collection for the City of Elyria before any changes are made to the Sanitation department.

REIMBURSEMENT OF SHARED EXPENSES TO OTHER FUNDS

This commentary was originally part of the 2019 analysis and the view of Rea remains consistent in 2025 in this regard. Whenever an organization calculates an allocation or cross-charge of expenses, it is a best practice to base that calculation on a measurable activity or activities that are a direct cause of the expenses being incurred. Through our review of the current methodology for the calculation of expenses that the Sanitation fund reimburses to the General fund and Water fund, it was determined that this is not the case.

The reimbursement to the General fund is based entirely on revenue collected in the Sanitation fund. Because of this, any increase in Sanitation rates, and subsequent increase in Sanitation revenue, will increase the amount that Sanitation reimburses to the General fund. Because there was no change in the services or activities that the General fund is undertaking to support the Sanitation Fund, this does not seem to be a desirable consequence.

Under a best-case scenario, the amount of reimbursement to the General fund would be calculated based on expenses incurred and activities that take place within the General fund to support other departments and funds. The Sanitation fund would then be responsible to reimburse the General fund based on its proportionate share of the activities and support that it receives relative to the other funds.

There are a couple of steps to complete a calculation like this and while it may take some time to set up, the amount of time needed to perform the calculation should not be significant on an ongoing basis. The first step is to determine what types of expenses are being shared and therefore need to be reimbursed. After that, a relevant activity or cost driver would need to be chosen that can be directly linked to those expenses being incurred. This cost driver will also need to be able to be accurately measured and tracked so the calculation can be completed on an ongoing basis. Once a cost driver has been selected, each fund or department that is being supported by the shared expenses will need to be evaluated for the cost driver selected and compared to the others to determine what its appropriate and proportionate share is. After that is known, each specific department's share can be multiplied by the total expenses that need to be reimbursed to determine the actual dollar amount needed.



Some of the relevant and common activities that can be used as cost drivers to determine allocated reimbursed amounts are listed below. These can be used singularly, in conjunction with one another, or even in a group. This list is certainly not exhaustive as there are many different cost drivers that could be selected. The important question to always remember is, "What is causing the organization to incur the expenses that need to be reimbursed?" and to select a cost driver(s) that best aligns with the answer to that question.

- Number of Employees
- Hours Spent by Employees Supporting Certain Funds
- Capital Asset Cost
- Employee Hours Worked
- Square Footage Occupied within a Building
- % of Revenue Relative to Other Funds
- % of Expenses Relative to Other Funds

The reimbursement to the Water fund is based on actual expense incurred by the Utilities department payroll within that fund. A flat rate of 5.0% of expenses incurred is what the reimbursement amount is. While this reimbursement calculation does seek to reimburse expenses incurred in the fund that is providing support and activities to the other, it does not appear that the calculation is tied to any type of activity or cost driver that is causing the Water fund to incur these expenses.

The best-case scenario for this reimbursement is to determine what all departments and funds are being supported by employees that are paid out of payroll in the Utilities department. From there, a cost driver can be selected to appropriately and proportionately assign the activity level within the Utilities department to the funds that it supports. Those proportionate percentages can then be used to determine the reimbursed amount based on the expense incurred by the Utilities department. Some of the relevant activities that could be used as cost drivers for this reimbursement are listed below. This list is also not exhaustive as there are many other cost drivers that could be selected.

- Number of Bills Processed by the Utilities Department
- % of Revenue Relative to Other Funds
- Hours Spent by Employees Supporting Certain Funds

