

December 16, 2019

Dear Customer,

The District currently contracts with ACES Waste (ACES) to facilitate solid waste removal and this contract will expire on December 31, 2019. Prior to this expiration, the Board solicited bids from the two possible solid waste providers that will service the Kirkwood area. ACES initially declined to provide a proposal, but one was received from South Tahoe Refuse (STR) which would be 323% more than the existing cost. Due to the significant potential increase, the District entered into negotiations with ACES to extend their contract and reached agreement to increase the existing costs by 207% and at a later date consider changing the District's Solid Waste program from voluntary to mandatory. While this Rate Study does not contemplate a mandatory ordinance, this issue will be considered by the District in 2020 in an effort to ensure the lowest rates possible for our customers. The table below summarizes the two proposals and the % increase over the current costs:

	Rate/CY
ACES 2014-2019	\$ 13.02
ACES 2020 Proposed	\$ 27.00
% Increase	207%
STR Proposed	\$ 42.09
% Increase	323%

For many years, the Solid Waste Department has been losing money. Following are the Net Income (Loss) results for this department over the last four years which illustrates this point:

	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16
Total Revenues	\$ 146,824	\$ 135,145	\$ 129,046	\$ 129,086
Total Operating Expenses	\$ 153,011	\$ 160,445	\$ 138,046	\$ 144,679
Net Income (Loss)	\$ (6,187)	\$ (25,300)	\$ (9,000)	\$ (15,593)
Revenues in Excess of Expenses without Depreciation	\$ (6,187)	\$ (24,797)	\$ (7,994)	\$ (14,366)

This deficit has been subsidized by Property Taxes which takes away funds which could be used for needed Capital Improvement projects, the Fire Department, etc.

Therefore, the District proposes to increase solid waste rates during this interim period to reflect 1) the interim rate proposed by ACES, 2) actual costs incurred by the District in terms of staffing and overhead, 3) to eliminate the deficit currently experienced in the Solid Waste department and 4) revisit solid waste rates and rate structures in 2020 pending new solid waste proposals and approval of a mandatory solid waste ordinance.

The attached Rate Study discusses the alternatives, the process for determining the need for these increases, and recommends a 50% increase in the Base Rate for the Solid Waste to achieve revenue neutrality. If this increase is approved, the forecasted Fiscal Year 2019-20 year end results are:

	FY 2019-20
Total Revenues	\$ 226,628
Total Operating Expenses	\$ 225,204
Net Income (Loss)	\$ 1,423
Current Base Rate	\$ 18.31
Proposed Base Rate	\$ 27.47
Difference	\$ 9.16

The Solid Waste base rate shall be increased as follows (including estimated 3% CPI increase):

	2019-20	2020-21	2021-22	2022-23	2023-24
Base Rate	\$ 27.47	\$ 28.29	\$ 29.14	\$ 30.02	\$ 30.92

If the District's Board elects to implement these changes, the rates would become effective no earlier than March 1, 2020.

The District welcomes public participation in this process. The District's Board has called for a Public Hearing to discuss and receive public comment regarding these possible rate changes for February 1, 2020 at 8:00am.

If you cannot attend this meeting in person, it will be fed live over the internet and you can view it by going to the District's website (kmpud.com) and following the appropriate link. If you would like to make a comment while watching the meeting remotely, email echristeson@kmpud.com and the Board will consider your comments and answer questions at regular intervals.

If you would like to make a comment or ask a question in advance of the meeting, please email echristeson@kmpud.com or send your comments via mail to:

Kirkwood Meadows Public Utility District
 Re: Solid Waste Rate Study
 P.O. Box 247
 Kirkwood, CA 95646

Thank you as always for your help and input.

Erik M. Christeson, P.E.
 General Manager