

**CITY OF REDDING, CALIFORNIA
COUNCIL POLICY**

SUBJECT	RESOLUTION NUMBER	POLICY NUMBER	EFFECTIVE DATE	PAGE
RATE PROTECTION AND INVESTMENT FUND FOR THE SOLID WASTE UTILITY	98-72	1408	05/19/98	1 of 2

BACKGROUND

The Solid Waste Utility operates collection routes, recycling programs, a household hazardous waste facility, and landfills. From time to time, it is necessary to make major capital investments for building maintenance, automation, increased customer service, debt reduction, or to carry out new government mandates.

To accomplish its mission, the utility needs a mechanism whereby the utility can save funds to make major purchases and to reduce debt in order to stabilize rates. In other words, stabilize rates for the customer, yet be able to change with the community and make major investments that will reduce the upward pressure on rates. The rate of investment needed for capital improvements, automation, improved technology, or early payoff of debt requires a longer lead time if the utility is to minimize new or additional debt. While the utility will never operate on a pay-as-you-go basis, it does have the ability to reduce total debt with good business planning and savings.

PURPOSE

The purpose of the policy is to create a fund whereby the utility can set aside funds to be used as follows:

- Invest in automation.
- Make major repairs to buildings and machinery.
- Reduce debt.
- Stabilize rates.
- Enhance the ability of the City to provide competitive solid waste collection rates.
- Acquire property or equipment for solid waste operations.

This fund shall not be used for landfill operations or closure, nor shall it be used for normal truck or vehicle replacements, which are covered by separate funds. The goal of the fund is to reduce long-term debt, to make investments, protect assets, and to invest in automation and new technology that will allow a more cost-efficient operation while maintaining reasonable customer service and complying with State mandates.

POLICY

There is hereby established a Rate Protection and Investment Fund for the Solid Waste Utility. Proceeds from the fund shall be used for the following:

- Property acquisitions.

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- Major building repairs, additions, or renovations.
- Early debt payoff.
- Investment in automation.
- Funding to implement new laws or mandates that would effect operating procedures and costs.

To minimize the upward pressure on rates or increased debt as the items above are needed, it is the policy of the City of Redding to put money into the Rate Protection and Investment Fund in order to save money for planned investment or early debt payoff. Funds that can be placed in the fund include the following:

- Bond funds restricted for capital purchases or not restricted.
- Savings that accrue during the year.
- Any rebates the utility receives.
- Proceeds from the sale of surplus property or equipment owned by the utility.
- Grant proceeds that can be used only for planned improvements.

At the beginning of each budget year, the Solid Waste Utility will estimate if it has any excess revenue or unobligated funds over and above costs needed for its annual operation and a 10% operating reserve. If such funds exist, they will be placed in this Rate Protection and Investment Fund. Any interest earned on money in the fund shall be applied to the fund balance.

Each year, as part of its budget submittal, the Solid Waste Utility will submit a 10-year business plan for use of proceeds from this fund. Any proposed revenues or expenditures shall be included in the department's annual budget. The business plan will be a component of the department's 10-year financial plan.