

SUBJECT: Provide direction regarding 1) potential enhancement of Solid Waste collection services and 2) implementing lower water rates than were previously approved in the FY 2023/24 – 2027/28 Utility Rate Study

DEPARTMENT: Public Works and Finance

STAFF: Kerry Breen, Director of Finance & Information Systems
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TITLE/RECOMMENDATION

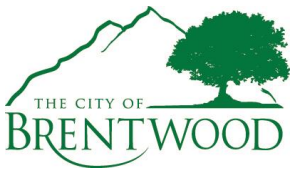
Provide direction regarding 1) potential enhancement of Solid Waste collection services and 2) implementing lower water rates than were previously approved in the FY 2023/24 – 2027/28 Utility Rate Study.

FISCAL IMPACT

Reduced water rate adjustments

Staff continuously monitors the financial condition of the Water, Wastewater, and Solid Waste Enterprise Funds. The Wastewater Fund remains within the financial parameters established by the most recent utility rate study. However, due to a combination of cost savings, project cancellations, and higher than anticipated revenues, the Water Fund has the capacity to implement a lower annual rate increase compared to what was previously adopted by the City Council. The adopted rate study authorized an increase of 6.5% for FY 2026/27. Based on current financial conditions, staff recommends reducing the increase to 4% (applied to the current FY 2025/26 rates).

Fiscal Year	Previously Approved Increase	Staff Recommendation
FY 2026/27	6.5%	4.0%



Enhanced Solid Waste Collection Services

The adopted rate study authorized rate increases between 3%-5% for FY 2026/27 and 3%-4% for FY 2027/28, depending upon type of service (cart, bin and roll-off). The existing rate study contemplated significant additional costs associated with the implementation of [Senate Bill 1383](#) (SB 1383) requirements. The Solid Waste Fund is in a financial position to offer enhanced collection services which would help address concerns raised by residents regarding bi-weekly collection of green waste.

Staff Recommendation – Enhanced Organics Service (Weekly Garbage and Green Waste; Bi-weekly Recycling)

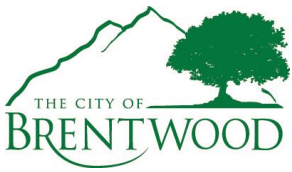
- One-time cost: Approximately \$4.5 million for the purchase of five new single-body garbage trucks (funded by existing excess cash reserves)
- On-going costs: Approximately \$1.7 million per year (FY 2026/27 dollars) including three additional drivers and one additional truck mechanic
- Rate adjustment: No change to previously adopted rate increases (3%-5%) and no expected impact to future rates

Alternative 1 - Maintain Current Service Levels (Weekly Garbage, Bi-Weekly Green Waste and Recycling)

- Recommended rate adjustment: 0% for each of the next two fiscal years

Alternative 2 – Weekly collection of all carts

- One-time cost: Approximately \$6.3 million for the purchase of seven new garbage trucks
- On-going cost: Approximately \$2.4 million a year (FY 2026/27 dollars) including five additional drivers and one additional truck mechanic
- Rate adjustment: No change to previously adopted rate increases (3%-5%) but future rates would be likely to increase by an extra 1.5% - 2% per year above inflation in the next rate study (total 7.5%-10% above inflation over 5 years)



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The following table summarizes the three options.

Feature	Staff Recommendation	Alternative 1	Alternative 2
Green Waste Service (including Organics)	Weekly Collection (upgraded)	Bi-weekly (no change)	Weekly Collection (upgraded)
Recycling Service	Bi-weekly (no change)	Bi-weekly (no change)	Weekly Collection (upgraded)
Proposed Rate Increase	Maintain adopted rates, no impact above inflation in next rate study	0% (2 years), no impact above inflation in next rate study	Maintain adopted rates; 1.5%-2% additional rate increase per year above inflation in next rate study
One-Time Cost	Approximately \$4.5M (5 new trucks)	No additional cost	Approximately \$6.3M (7 new trucks)
Ongoing Annual Cost*	Approximately \$1.7M	No additional cost	Approximately \$2.4M

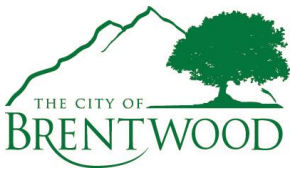
Ongoing annual costs include increased costs for personnel, electricity, fuel, maintenance, insurance, administration and replacement funding.

BACKGROUND

In 2023, the City Council adopted the 2023/24 – 2027/28 Water, Wastewater, and Solid Waste Rate Studies, which set rates for services for the next 5-year period. The adopted rates are based on a comprehensive model that projects the revenues needed to fund the Enterprises over the 5-year period. The financial model takes into account expenses and estimated costs that can be reasonably expected.

Since the models are projections, staff performs regular analysis of the financial health of the funds and verifies that the adopted rates provide the necessary revenues to ensure financial stability. If changes to the adopted rate schedules are warranted, staff presents the analysis to Council and makes a recommendation for any needed changes to the previously adopted rates.

The last time staff made such a recommendation was on June 24, 2025, when staff recommended, and the City Council approved, a 4% increase for the Water Enterprise rather than the 6.5% increase adopted in the original rate study.



Staff has once again completed an analysis of the financial health of the Enterprise Funds and has come to the following conclusions:

Wastewater

The Wastewater Enterprise Fund remains healthy and forecasted expenditures indicate the previously adopted 2% annual increases are appropriate. Staff recommends no change to the upcoming scheduled Wastewater rate increases.

Water

The Water Enterprise Fund remains healthy, and the fund balance has increased since the rate study was completed in 2023. Of particular note, approximately \$7 million was set aside for buy-in to the planned expansion of the Los Vaqueros Dam expansion project. That project has dissolved, and the \$7 million set aside for that project is now available for other use. Annual personnel and supplies and services budget savings have added to the fund balance. In addition, the Water Enterprise Fund is experiencing higher revenues due to higher water use. As a result, the Water Enterprise has a cash balance above the target reserve amount.

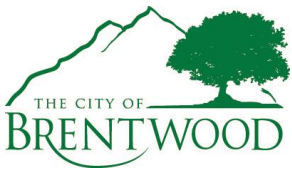
Staff is recommending that Council approve a lower rate increase than what was adopted in the 2023 rate study with a 4% water rate increase rather than the previously approved 6.5% increase for FY 2026/27. The FY 2026/27 increase would be calculated from the current FY 2025/26 rates.

Solid Waste and Enhanced Services

The Solid Waste Enterprise Fund remains healthy, and the fund balance has increased since the rate study was completed in 2023. Of particular note, the rate study included several million dollars of debt service for the Solid Waste Organics project. That project was estimated to cost \$95 million, but ultimately had a price tag of \$160 million. The \$160 million price tag led staff to abandon the project. Staff has also been able to delay the implementation of increased costs associated with SB 1383 compliance which has contributed to the financial health of the Enterprise.

With the implementation of SB 1383, which requires food waste and organics to be placed in the green cart, staff has been hearing concerns from residents that the hot summer months could result in increased odors and pest activity around green waste. With the cancellation of Solid Waste Organics project, the Solid Waste Enterprise has the financial capacity to address these concerns with enhanced (i.e. weekly) green waste collection services.

Weekly green waste collection service would require the purchase of five new single-body trucks to handle the increased collection activity. These new trucks will likely



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be EV powered and will count towards the City's requirements to convert fleet vehicles from gas powered to EV. In addition, three new drivers will be needed to staff the additional routes created by the increased level of service, and one new truck mechanic will be needed to maintain the additional trucks. The existing cash balance in the Fund would be sufficient to fund the purchase of the trucks and the scheduled rate increases (3% - 5% for FY 2026/27 & 3% - 4% for FY 2027/28) would be sufficient to cover the ongoing cost of new employees for the remaining two years of the current rate study. The next rate study would not be negatively impacted by the enhanced services, and staff anticipates that future rate increases would be near inflation levels.

Alternative 1 – Weekly garbage, bi-weekly green and recycling service:

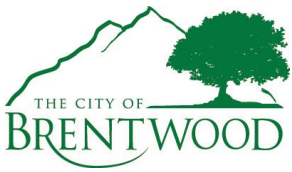
There is no legal or legislative requirement that the City enhance green waste service levels. The City Council could direct staff to leave service levels unchanged, and instead eliminate the previously approved Solid Waste rate increases for the next two years, leaving rates unchanged through June 30, 2028. This would replace the current rate study's planned increases of 3%-5% for FY 2026/27 and 3%-4% for FY 2027/28. Future rate increases would be anticipated to be near levels of inflation. Although this alternative would establish Brentwood as the clear low-cost provider in the region, staff does not recommend this direction as it would result in a lower level of service than is provided by surrounding cities.

Alternative 2 – Weekly service for all carts:

The City Council could alternatively decide to switch all cart services to weekly collection. If Council chooses this alternative, seven new single-body trucks would be required. In addition, five new drivers would be needed to staff the additional routes created by the increased level of service, and one new truck mechanic would be needed to maintain the additional trucks.

The existing cash balance would be sufficient to fund the purchase of the trucks and the scheduled rate increases (3% - 5% for FY 2026/27 & 3% - 4% for FY 2027/28) would be sufficient to cover the ongoing cost of new employees for the remaining two years of the current rate study. However, the next rate study would require rate increases of approximately 1.5%-2.0% each year, in addition to a typical 3% increase for inflation, to fund this increased level of service (estimated 4.5%-5.0% per year increase for five years). Staff does not recommend this alternative as it would require rate increases in order to provide a service that is not generally needed.

In summary, staff is seeking direction from the City Council regarding 1) implementing a lower than previously approved rate increase in the Water Fund for FY 2026/27 and 2) the potential enhancement of Solid Waste collection services.



Staff would then return to the City Council with resolutions to implement the direction provided.

CITY COUNCIL STRATEGIC INITIATIVE

Not Applicable.

PREVIOUS ACTION

Previous action by the City Council is included on Attachment 1.

DATE OF NOTICE

Not Applicable.

ENVIRONMENTAL DETERMINATION

Not Applicable.

ALTERNATIVE OPTION(S)

1. Direct staff to make other changes to the recommended rate increases.
2. Direct staff to make other changes to the recommended service levels.

ATTACHMENT(S)

1. Previous Action