



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director
Lincoln Bogard, Administrative Services Director

MEETING DATE: April 23, 2024

SUBJECT: Consideration of Resolution 2024-57, Authorizing the Closure and Transfer of Fund 690 - Refuse Fund to Fund 001 - General Fund and to Classify \$3,825,000 as Unearned Revenue that will be Amortized into Revenue Evenly Over the Next 17 Years, and Directing Staff to Use a One-Time Annual SB 939 Support Fee to Assist in Funding the City's Solid Waste Program Coordinator Position and Related Activities

RECOMMENDATION:

Adopt Resolution 2024-57.

BACKGROUND:

During the April 27, 2021 City Council Meeting, the Council adopted Resolution 2021-27 to enter into a new twenty (20) year agreement with Waste Management to perform solid waste collection services and to take over the billing and collection functions that had previously been performed by the City of Banning Utility Billing group in the Department of Finance. The term of the agreement with Waste Management began on July 1, 2021, and will expire on June 30, 2041. As a part of the agreement, Waste Management provided a one-time lump sum Franchise Fee payment of \$4.5 million. That one-time Franchise Fee is refundable within 180 days if the agreement is canceled on a pro-rata basis. Due to that, the City is allowed to claim only \$225,000 in revenue per year for the 20-year term of the contract. Until the revenue is recognized, the amount is required to be recorded as Unearned Revenue. Waste Management also agreed to the payment of a \$300,000 Annual AB 939 Support Fee to the City to cover City costs associated with that legislation.

Due to the fact that the City no longer performs any functions that would allow this operation to continue as an enterprise fund (collection, billing, and collections) and the fund does not meet the criteria for classification as any other type of fund, it must be moved within General Fund operations. That is where franchise fees are normally accounted.

JUSTIFICATION:

Staff brought an item to Council on March 12, 2024, to discuss the closure of Fund 690 - Refuse Fund and the transfer of its accounts to Fund 001 - General Fund and the classification of the One Time Franchise Fee of \$4.5 million as either Assigned or Committed Fund Balance. Council direction was to make the \$4.5 million an Assigned Fund Balance. Upon the realization that the \$4.5 million is refundable on a pro-rata basis, staff determined that the monies do not qualify for classification as fund balance of any type and must be classified as Unearned Revenue until the revenue is earned (\$225,000 per year for 20-year term).

Staff is proposing this resolution to approve closing Fund 690 - Refuse Fund and transferring ongoing accounting and budget to Fund 001 - General Fund and to classify the \$4.5 million One Time Franchise Fee as an Unearned Revenue (liability account), which will be amortized to Revenue in an annual amount of \$225,000 per year. That means that as of June 30, 2024, the Unearned Revenue will be \$3,825,000 and seventeen (17) years will be remaining on the contract and amortization period. Therefore, \$450,000 of the \$.5 million is being classified into Unassigned Fund Balance and \$225,000 is being recorded as Revenue in FY 2023-24.

This resolution also includes the requirement that the \$300,000 Annual SB 939 Support Fee be dedicated to assisting in the funding of the City's Solid Waste Program Coordinator position and related activities such as compliance monitoring through administrative and field audits; education and outreach programs; program tracking software and account maintenance; consultant support services; analysis and studies; planning and monitoring of legislation; and other related functions. These efforts and the General Fund Transfer to Streets for the annual Maintenance of Effort (MOE) are also supported by revenues collected from the franchise fee payments.

FISCAL IMPACT:

There is no overall fiscal impact to the City. However, this transfer of refuse fund operations to the General Fund will increase the General Fund cash and Unassigned Fund Balance. It will also have a one-time multimillion dollar Net Transfer In that will increase the General Fund Net Income for this fiscal year (FY 2023-24).

ALTERNATIVES:

1. Adopt Resolution 2024-57, as presented.
2. Adopt Resolution 2024-57, with modifications.
3. Do not adopt Resolution 2024-57 and provide direction to staff.

ATTACHMENTS:

1. [Resolution 2024-57, Transfer Refuse Fund Balance.docx](#)