



Meeting Date: September 25, 2018

STAFF REPORT

Agency: City of Belmont
Staff Contact: Afshin Oskoui, Public Works Director, 650-595-7459, aoskoui@belmont.gov
Agenda Title: Review Solid Waste Rate Application and Revise Maximum Rate for Collection Services for 2019
Agenda Action: Resolution

Recommendation

Adopt a resolution stating the City of Belmont's intent to revise the maximum rate that may be charged for solid waste, recyclable materials, and organic materials collection services effective January 1, 2019, and set a Public Hearing date for November 27, 2018.

Background

The franchise agreement with Recology of San Mateo County (Recology) for Recyclable Materials, Organic Materials and Solid Waste Collection, adopted by the City Council on April 12, 2010, provides for an annual review of the maximum rates that Recology may charge Belmont residential and commercial customers for regular and unscheduled services. Article 11 of the Agreement sets the methodology for calculating the revenue requirements including Pass-through Costs, which include disposal and processing costs at the Shoreway Environmental Center, and Agency fees.

In a letter dated July 31, 2018, Recology has provided the City their 2019 Rate Application (Attachment B), and detailed worksheet outlining their calculation of the maximum. Based on calculations provided in the application, the revenue increase adjustment for 2019 is 3.07%.

At the August 28th City Council meeting, staff presented the tentatively negotiated franchise agreement extension with Recology for feedback and approval. The extension of the agreement provides the following benefits to the City and its solid waste customers:

- Consistency with all existing solid waste, recycling and organics services.
- No new-service provider transition pitfalls (i.e., container switch-out, customer service center setup and billing setup, driver route training, hard-rollout a new truck fleet, developing a new rate setting process, and end-of-contract buyouts.
- Rate-setting stability/predictability-after an initial rate true-up to cost of service levels; rate increases are tied to indexes.
- SBWMA rates will continue to be in-line with Bay Area communities.
- Continued cost savings from collection efficiencies gained by Recology's years of experience.
- Sharing of future inflation risk by Recology in their 2021 Cost Proposal.

- Savings of an estimated \$2-3 million in avoided RFP and possible contractor-transition costs.
- Labor continuity by continuing with a known company and management team.

At that meeting Council approved the deal points, and the following key items were addressed:

- Establishment of the “Base Costs” for 2021
- Adjusting the Maximum Rate for 20-gallon cans to cost-based levels
- Establishment of a Rate Stabilization Fund (RSF) to help smoothly transition the City’s current rates to the 2021 “Base Costs”
- Establishing Maximum Rates for 2022 and Thereafter for Regularly Scheduled Services
- Carry-Forward of Annual Adjustments Above 5.0%
- Adjusting Rates for Unscheduled Services (Schedule Q)
- Annual Rate Review Process

Adjusting the Maximum Rate for 20-Gallon Carts to Cost-Based Levels – Residential customers are offered different cart sizes, of which the 20-gallon cart is the smallest. In reviewing the current residential rates, the parties agreed that the current (2018) Maximum Rate for the 20-gallon service did not adequately reflect the true cost of service. Since the initial adoption of the rates was based on a progressive rate structure to encourage recycling, the cost of service for a 20-gallon cart provided a discount in relation to actual cost of service.

Note that the cost to service the four cart sizes is not proportional to the size difference of the carts due to factors such as:

- The cost includes the cost to service garbage (black), recycling (blue), and organics (green) carts. Only the black cart size changes with the cart selection – the other two are constant.
- The cost to collect all four cart sizes is approximately the same.
- Only the solid waste disposal expense (approximately 10% of total cost) changes with the different black cart sizes.

To bring the 20-gallon cart size up to cost-based levels the tentative franchise agreement includes specific rate adjustments for the 20-gallon level of service [Article 11.02 B.]. These adjustments, by year, would be as follows:

- 2019 – \$3.00/month (Cumulative adjustment of \$3.00/month from current rate levels)
- 2020 – \$2.00/month (Cumulative adjustment of \$5.00/month from current rate levels)
- 2021 – \$3.00/month (Cumulative adjustment of \$8.00/month from current rate levels)

The above adjustments are in addition to any other rate adjustments (i.e., CPI increases) required for that rate year.

As part of the City’s due diligence review, the City retained HDR Engineering, Inc. (HDR) to verify and confirm that the rates were calculated by Recology in accordance with the franchise agreement and associated amendments. HDR prepared the attached report (Attachment C), which provides a summary of the rate adjustment application submitted by Recology and maximum rate schedule options that meet the requirements of the Agreement for selection of Maximum Rates effective January 1, 2019.

Analysis

Recology’s maximum rate adjustment of 3.07% is composed solely of a CPI Cost Adjustment. Article 11 of the Franchise agreement provides the framework or methodology for the determination of the maximum rate for the upcoming year. In very simple terms, the agreement calls for Recology to annually take the existing maximum rate that is in effect and multiply each rate by an “adjustment percentage”. The adjustment percentage is essentially a cost index. For each year, the cost index is calculated by adding together the following cost elements:

- Wage Component
- Fuel Component
- General Expense Component
- Disposal Costs Component
- Performance-Based Component
- Household Hazardous Waste Component
- Agency Payments Components

HDR reviewed that revised calculation and determined based upon the information provided that it appears to be consistent with the Franchise Agreement. Provided below in Table 1 is an overview of Recology’s rate index calculation. In summary form, this calculation indicates an increase of 3.07% to the 2018 regularly scheduled rates.

Table 1 Overview of Recology’s Rate Index Calculation					
Cost Component	Cost				
	Component Dollars (\$)	2009 CPI Index	2018 CPI Index	2018 Cost Index	2017 Cost Index
Wage Component	\$1,380,122	110.9	131.2	\$1,632,750	\$1,590,438
Fuel Component	211,727	3.45	2.38	171,836	146,061
General Expense Component	1,528,563	214.537	245.120	1,724,675	1,691,888
Agency Components				1,828,608	1,774,061
Disposal Cost Component (i)				1,695,411	1,570,386
Disposal Cost Component (ii)				1,546,938	1,424,130
Disposal Cost Component (iii)				-1,378,765	-1,378,765
Performance Based Component					
- Incentives				6,848	7,917
- Disincentives				(3,573)	(2,805)
Hazardous Household Waste Component				---	---
Total				\$7,033,107	\$6,823,311
				Cost Index 2018 -	\$7,033,107
				Annual Increase Divided by Cost Index 2017	-
				-	\$6,823,311
				Annual Percentage Equals -	3.07%
				Maximum Rates to be Multiplied by:	3.07%

(i) The Contractor’s projected costs for April 1 of that calendar year through March 31 of the following year plus

- (ii) The Contractors' actual costs April 1 of the year prior through March 31 of the calendar year minus
- (iii) The contractor's previous projection.

In a more simplified or summarized manner, the rate index for 2019 of an increase of 3.07% is composed of one element, the CPI cost adjustment.

In summary, HDR independently confirmed the calculation of the CPI cost adjustment increase of 5.60%. In providing this independent confirmation, HDR did note the Consumer Price Index publishes by month, annual, and bi-annually. By definition within the agreement, the annual CPI is to be used.

Residential Rates

The present residential service is comprised of four different bin sizes which range from 20 gallons to 96 gallons. Presented in Table 2 are the current monthly residential rate and the proposed residential rates for 2019. The adjustments for residential customer's rates are designed to provide an overall 3.07% revenue increase compared to the present monthly residential rate plus a \$3.00 rate stabilization fee for the 20-gallon cart size.

Table 2 Summary of the Present and Calculated Maximum Residential Solid Waste Rates (Regularly Scheduled - \$/Month)					
Schedule	Schedule Description	Current Monthly Rate	CPI \$/Month Change	RSF \$/Month Change ^[1]	Calculated Maximum 2019 Rate
R20G	Residential Waste - 20 Gallons	\$22.38	\$0.69	\$3.00	\$26.07
R32G	Residential Waste - 32 Gallons	\$35.38	\$1.09		\$36.47
R64G	Residential Waste - 64 Gallons	\$69.66	\$2.14		\$71.80
R96G	Residential Waste - 96 Gallons	\$104.49	\$3.21		\$107.70

[1] The 2019 proposed 20-gallon cart includes the 3.07% adjustment plus a \$3.00 rate stabilization fee.

Commercial Rates

Commercial customers have similar service to residential customers but they have the option to adjust the number of pickups per week. Presented in Table 3 is a summary of the current commercial rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 3
Summary of the Present and Calculated Maximum Commercial Solid Waste Rates
(By Gallon Cart Size; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C20G	Commercial Waste - 20 Gallon							
	Present 2018 Monthly Rate	\$37.85	\$77.85	\$115.90	\$159.13	\$201.34	\$251.92	\$306.88
	Calculated Maximum 2019 Rate	\$39.01	\$80.24	\$119.46	\$164.02	\$207.52	\$259.65	\$316.30
	\$/Month Change	\$1.16	\$2.39	\$3.56	\$4.89	\$6.18	\$7.73	\$9.42
C32G	Commercial Waste - 32 Gallon							
	Present 2018 Monthly Rate	\$42.03	\$86.51	\$128.77	\$176.81	\$223.69	\$279.90	\$340.96
	Calculated Maximum 2019 Rate	\$43.32	\$89.17	\$132.72	\$182.24	\$230.56	\$288.49	\$351.43
	\$/Month Change	\$1.29	\$2.66	\$3.95	\$5.43	\$6.87	\$8.59	\$10.47
C64G	Commercial Waste - 64 Gallon							
	Present 2018 Monthly Rate	\$81.27	\$163.97	\$248.77	\$334.51	\$425.21	\$518.15	\$606.58
	Calculated Maximum 2019 Rate	\$83.76	\$169.00	\$256.41	\$344.78	\$438.26	\$534.06	\$625.20
	\$/Month Change	\$2.49	\$5.03	\$7.64	\$10.27	\$13.05	\$15.91	\$18.62
C96G	Commercial Waste - 96 Gallon							
	Present 2018 Monthly Rate	\$117.45	\$240.57	\$365.09	\$493.85	\$624.36	\$785.94	\$916.91
	Calculated Maximum 2019 Rate	\$121.06	\$247.96	\$376.30	\$509.01	\$643.53	\$810.07	\$945.06
	\$/Month Change	\$3.61	\$7.39	\$11.21	\$15.16	\$19.17	\$24.13	\$28.15

Some commercial customers have larger bins which range in size from 1 yard to 6 yards. Commercial waste customers also have the option of different levels of service and can select the number of pick-ups per week. Presented in Table 4 is a summary of the current commercial waste bin rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 4
Summary of the Present and Calculated Maximum Commercial Solid Waste Rates
(By Bin Size in Yards; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C1YG	Commercial Waste - 1 Yard							
	Present 2018 Monthly Rate	\$197.08	\$401.24	\$608.90	\$818.97	\$1,030.74	\$1,286.42	\$1,517.81
	Calculated Maximum 2019 Rate	\$203.13	\$413.56	\$627.59	\$844.11	\$1,062.38	\$1,325.91	\$1,564.41
	\$/Month Change	\$6.05	\$12.32	\$18.69	\$25.14	\$31.64	\$39.49	\$46.60
C2YG	Commercial Waste - 2 Yard							
	Present 2018 Monthly Rate	\$396.43	\$799.36	\$1,206.10	\$1,615.80	\$2,031.28	\$2,398.05	\$2,840.08
	Calculated Maximum 2019 Rate	\$408.60	\$823.90	\$1,243.13	\$1,665.41	\$2,093.64	\$2,471.67	\$2,927.27
	\$/Month Change	\$12.17	\$24.54	\$37.03	\$49.61	\$62.36	\$73.62	\$87.19
C2YG1	Commercial Waste - 2 Yard							
	Present 2018 Monthly Rate	\$396.43	\$799.36	\$1,206.10	\$1,615.80	\$2,031.28	\$2,398.05	\$2,840.08
	Calculated Maximum 2019 Rate	\$408.60	\$823.90	\$1,243.13	\$1,665.41	\$2,093.64	\$2,471.67	\$2,927.27
	\$/Month Change	\$12.17	\$24.54	\$37.03	\$49.61	\$62.36	\$73.62	\$87.19
C3YG	Commercial Waste - 3 Yard							
	Present 2018 Monthly Rate	\$597.88	\$1,202.97	\$1,811.60	\$2,422.06	\$3,034.63	\$3,683.90	\$4,337.70
	Calculated Maximum 2019 Rate	\$616.23	\$1,239.90	\$1,867.22	\$2,496.42	\$3,127.79	\$3,797.00	\$4,470.87
	\$/Month Change	\$18.35	\$36.93	\$55.62	\$74.36	\$93.16	\$113.10	\$133.17
C4YG	Commercial Waste - 4 Yard							
	Present 2018 Monthly Rate	\$816.15	\$1,646.42	\$2,476.70	\$3,316.42	\$4,159.69	\$5,037.94	\$5,934.57
	Calculated Maximum 2019 Rate	\$841.21	\$1,696.97	\$2,552.73	\$3,418.23	\$4,287.39	\$5,192.60	\$6,116.76
	\$/Month Change	\$25.06	\$50.55	\$76.03	\$101.81	\$127.70	\$154.66	\$182.19
C6YG	Commercial Waste - 6 Yard							
	Present 2018 Monthly Rate	\$1,255.20	\$2,545.72	\$3,826.64	\$5,096.67	\$6,384.80	\$7,718.65	\$9,040.35
	Calculated Maximum 2019 Rate	\$1,293.73	\$2,623.87	\$3,944.12	\$5,253.14	\$6,580.81	\$7,955.61	\$9,317.89
	\$/Month Change	\$38.53	\$78.15	\$117.48	\$156.47	\$196.01	\$236.96	\$277.54

Schedule of charges for all services including commercial organics bins and carts, and other miscellaneous charges are itemized and included in the attached Exhibit A.

Unscheduled Services

Recology also provides several services that are not considered “regularly scheduled” services and these particular services are not included as a part of the Attachment R rates discussed above. The rate for unscheduled services is contained in Attachment Q of the Franchise Agreement and is annually updated in accordance with the Franchise Agreement.

The Maximum Rate set forth in Attachment Q is adjusted annually by multiplying the then effective Maximum Rate by the Consumer Price Index (CPI) for the year immediately preceding the year of the calculation and dividing the result by the Consumer Price Index for the year two years prior. For example, the adjustment calculated in 2018 (for rates to be effective 2019), each Maximum Rate is multiplied by the CPI for 2017 and divided by the CPI for 2016. This resulted in an overall rate increase of 2.13% for Attachment Q rates effective in 2019 for the unscheduled services. Attached as a part of the technical appendices are the proposed Attachment Q rates for unscheduled services. The new schedule of charges is itemized and included in Exhibit A.

Proposition 218

The City is committed to promoting public participation in City activities. Toward this end, it is the City’s practice to conduct notice, and protest hearing proceedings with respect to solid waste maximum rates in the manner set forth in Article XIID, Section 6(a) of the California Constitution and Section 53755 of the Government Code. That process require that a notice be mailed to solid waste customers not less than forty-five days prior to any public hearing affecting any rate.

Customers and property owners have the right to submit written protests against the proposed charges and may do so by mail or in person to the City Clerk no later than the conclusion of the Public Hearing. If written protests against the charges are presented by owners of a majority of the affected parcels, the City Council may not impose the charges.

The attached resolution authorizes the initiation of the Proposition 218 process based on the Maximum Rates in accordance with the Guidelines for the Submission and Tabulation of Protests in Exhibit B, and sets a public hearing for November 27, 2018.

Alternatives

1. Take no action
2. Adjust rates differently while meeting the revenue requirements in accordance with the Franchise Agreement

Attachments

- A. Resolution, Exhibits A & B
- B. Recology 2019 Rate Application
- C. HDR Engineering Draft Final Report Review

Fiscal Impact

- No Impact/Not Applicable
- Funding Source Confirmed:

Source:

- Council
- Staff
- Citizen Initiated
- Other*

Purpose:

- Statutory/Contractual Requirement
- Council Vision/Priority
- Discretionary Action
- Plan Implementation*

Public Outreach:

- Posting of Agenda
- Other*

*



July 31, 2018

ATTACHMENT B

Mr. Thomas Fil
Finance Director
City of Belmont
One Twin Pines Lane, Suite 320
Belmont, CA 94002

Re: Rate Year 2019 Rate Application

Dear Mr. Fil:

Enclosed is our Rate Year 2019 Rate Application, Calculation of Fuel Cost per Gallon, Calculation of Actual Disposal Expense (April 2017 through March 2018), Calculation of Estimated Disposal Costs (April 2018 – March 2019), Performance Incentive/Disincentive schedule, Attachment R for 2019 and Attachment Q for 2019. Additionally screen prints of the CPI index pages from the Bureau of Labor Statistics are also included.

In accordance with Article 11 of the Franchise Agreement for Recyclable Materials, Organic Materials and Solid Waste Collection Services, we applied the following methodology to our calculations:

- **Wage Component** – Multiplied the Wage Component of \$1,380,122 by the Employment Index for the 4th quarter of 2017 (131.2) and divided that by the Employment Index for the 4th quarter of 2009 (110.9). The calculated Wage Component for Rate Year 2019 is \$1,632,750.
- **Fuel Component** - Multiplied the Fuel Component of \$211,727 by the average price per gallon of fuel for the period April 2017 through March 2018 (\$2.80) and divided that by the average price used for the 2009 Fuel Component of \$3.45. The calculated Fuel Component for Rate Year 2019 is \$171,836.
- **General Expense Component** – Multiplied the General Expense Component of \$1,528,563 by 90% of the percentage change in the Consumer Price Index between 2009 (214.537) and 2017 (245.120). The calculated General Expense Component for Rate Year 2019 is \$1,724,675.

- **Disposal Cost Component** – The Disposal Component shall equal (i) Contractor’s reasonable good faith projection of Disposal Costs for the period from April 1 of that calendar year through March 31 of the following year (\$1,695,411), *plus* (ii) Contractor’s actual Disposal Costs for the period from April 1 of the year prior to the Calendar Year of the Cost Index through March 31 of the Calendar Year of the Cost Index (\$1,546,938), *minus* (iii) Contractor’s previous projection (used in the prior year’s Cost Index calculation) of Disposal Costs for the period described in clause (ii) (\$1,570,386). The calculation of projected disposal costs used in (i) assumed volumes delivered to the Designated Disposal Site using actual volumes delivered during the quarter April 1, 2018 through June 30, 2018, then duplicating those volumes for the next three quarters. The disposal rates are the rates charged April 2018 through June 2018, the rates to be charged July 2018 through December 2018 and the anticipated disposal rates January 2019 through March 2019 at the Designated Disposal Site. The total Disposal Component equals \$1,671,963 ($\$1,695,411 + \$1,546,938 - \$1,570,386$).
- **Performance-Based Component** – Incentives and disincentives were reviewed by R3 Consulting Group and are included in the rate year 2019 compensation application. Incentives total \$6,848 and disincentives total \$ 3,573 for a combined incentive amount of \$3,275.

Based on the calculations described above, the revenue increase for Rate Year 2019 is 3.07%.

As discussed during our recent extension negotiation, the Attachment R rate for a residential 20 gallon cart of \$26.07 includes the \$ 3.00 rate stabilization fee.

If you have any questions, or need any additional information, please do not hesitate to call me at 650-598-8226.

Sincerely,



Michael Kelly
General Manager
Recology San Mateo County

Recology San Mateo County
City of Belmont
Refuse Rate Index Calculation

	Cost Components	2009 CPI Index	2018 CPI Index	2018 Cost Index	2017 Cost Index
Wage Component	1,380,122	110.9	131.2	1,632,750	1,590,438
Fuel Component	211,727	3.45	2.80	171,836	146,061
General Expense Component	1,528,563	214.537	245.120	1,724,675	1,691,888
Agency Payments				1,828,608	1,774,061
Disposal Cost Component (i)				1,695,411	1,570,386
Disposal Cost Component (ii)				1,546,938	1,424,130
Disposal Cost Component (iii)				(1,570,386)	(1,378,765)
Performance Based Component - Incentives				6,848	7,917
Performance Based Component - Disincentives				(3,573)	(2,805)
				7,033,107	6,823,311
Annual Increase			Cost Index 2018	7,033,107	
	Divided by		Cost Index 2017	6,823,311	
Adjustment Percentage	Equals			103.07%	

Maximum Rates to be Multiplied by 103.07%

Recology San Mateo County
City of Belmont
Actual Disposal Calculation (Apr 2017 - Mar 2018)
Rate Year 2019

							BELMONT CITY VEHICLES									
	Solid Waste	Green/Org	Food	Dirt	Mattresses	Bulky Items	Solid Waste	Green/Org	Dirt	Wood	C&D	Concrete	Sofas	Mattresses	Appliances	Refrigerators
APR	605.84	509.45	0.00	0.00	0.00	1.99	47.17	2.16	32.94	0.00	0.00	46.93	0.00	0.00	0.00	0.00
MAY	712.98	516.09	0.00	0.00	0.00	2.50	46.81	4.67	0.00	0.00	0.00	9.41	0.00	0.00	1.00	1.00
JUN	655.43	451.99	0.00	0.00	0.00	1.77	41.84	1.29	9.26	0.00	0.25	64.98	0.00	0.00	0.00	1.00
JUL	632.04	332.27	67.60	0.00	0.00	3.08	33.79	12.90	15.91	0.00	1.09	20.87	0.00	0.00	0.00	0.00
AUG	693.43	373.90	72.89	0.00	0.00	2.03	18.17	7.83	4.28	0.78	0.00	37.85	1.00	1.00	0.00	0.00
SEP	639.48	364.82	69.97	0.00	0.00	2.10	70.91	5.29	2.79	0.00	0.00	16.53	0.00	0.00	0.00	0.00
OCT	658.98	328.67	83.76	0.00	0.00	1.44	54.59	0.00	99.67	0.00	1.44	21.44	0.00	0.00	0.00	0.00
NOV	676.42	383.64	82.10	0.00	0.00	0.95	73.47	4.87	380.50	0.00	1.76	1.09	0.00	0.00	0.00	0.00
DEC	664.63	336.33	84.14	0.00	0.00	3.10	52.08	9.45	15.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00
subtotal Apr - Dec	5939.23	3597.16	460.46	0.00	0.00	18.96	438.83	48.46	560.72	0.78	3.10	219.10	1.00	1.00	1.00	2.00
JAN	686.55	366.15	84.12	0.00	0.00	0.00	64.90	6.50	0.00	0.42	0.50	0.00	0.00	0.00	0.00	0.00
FEB	584.71	289.11	73.18	0.00	0.00	2.51	23.99	1.34	47.69	0.00	0.00	14.19	0.00	0.00	0.00	0.00
MAR	655.00	306.18	85.59	0.00	0.00	2.91	41.69	2.24	0.00	0.00	0.00	48.56	0.00	0.00	0.00	0.00
subtotal Jan - Mar	1926.26	961.44	242.89	0.00	0.00	5.42	130.58	10.08	47.69	0.42	0.50	62.75	0.00	0.00	0.00	0.00
SBWMA Total	7865.49	4558.60	703.35	0.00	0.00	24.38	569.41	58.54	608.41	1.20	3.60	281.85	1.00	1.00	1.00	2.00
Rate Apr 2017 - Dec 2017	\$104.00	\$106.00	\$118.00	\$91.00	\$15.00	\$104.00	\$104.00	\$106.00	\$91.00	\$106.00	\$104.00	\$91.00	\$38.00	\$15.00	\$15.00	\$49.00
Rate Jan 2018 - Mar 2018	\$107.00	\$112.00	\$121.00	\$94.00	\$15.00	\$107.00	\$107.00	\$112.00	\$94.00	\$112.00	\$107.00	\$94.00	\$38.00	\$15.00	\$16.00	\$49.00
Per Item Cost	\$ 823,789.74	\$ 488,980.24	\$83,723.97	\$ -	\$ -	\$ 2,551.78	\$ 59,610.38	\$ 6,265.72	\$55,508.38	\$ 129.72	\$ 375.90	\$25,836.60	\$ 38.00	\$ 15.00	\$ 15.00	\$ 98.00
Total Disposal	\$1,546,938.43															

Recology San Mateo County
City of Belmont
Estimated Disposal Calculation (Apr 2018 - Mar 2019)
Rate Year 2019

							BELMONT CITY VEHICLES						
	Solid Waste	Green/Org	Food	Dirt	Mattresses	Bulky Items	Solid Waste	Wood Green/Org	Dirt	C&D	Concrete	Each Appliances	Each Refrigerator
APR (Actual)	643.13	372.13	70.56	0.00	0.00	0.63	45.66	0.00	24.26	0.47	93.38	0.00	0.00
MAY (Actual)	690.21	402.07	73.88	0.00	0.00	3.38	34.65	0.43	11.24	0.00	92.04	0.00	0.00
JUN (Actual)	659.35	360.69	62.10	0.00	0.00	1.27	45.44	0.91	14.39	1.28	79.53	0.00	0.00
JUL	643.13	372.13	70.56	0.00	0.00	0.63	45.66	0.00	24.26	0.47	93.38	0.00	0.00
AUG	690.21	402.07	73.88	0.00	0.00	3.38	34.65	0.43	11.24	0.00	92.04	0.00	0.00
SEP	659.35	360.69	62.10	0.00	0.00	1.27	45.44	0.91	14.39	1.28	79.53	0.00	0.00
OCT	643.13	372.13	70.56	0.00	0.00	0.63	45.66	0.00	24.26	0.47	93.38	0.00	0.00
NOV	690.21	402.07	73.88	0.00	0.00	3.38	34.65	0.43	11.24	0.00	92.04	0.00	0.00
DEC	659.35	360.69	62.10	0.00	0.00	1.27	45.44	0.91	14.39	1.28	79.53	0.00	0.00
JAN	643.13	372.13	70.56	0.00	0.00	0.63	45.66	0.00	24.26	0.47	93.38	0.00	0.00
FEB	690.21	402.07	73.88	0.00	0.00	3.38	34.65	0.43	11.24	0.00	92.04	0.00	0.00
MAR	659.35	360.69	62.10	0.00	0.00	1.27	45.44	0.91	14.39	1.28	79.53	0.00	0.00
SBWMA Total	7970.76	4539.56	826.16	0.00	0.00	21.12	503.00	5.36	199.56	7.00	1059.80	0.00	0.00
Rate Apr 2018 - Jun 2018	\$107.00	\$112.00	\$121.00	\$94.00	\$15.00	\$107.00	\$107.00	\$112.00	\$94.00	\$107.00	\$94.00	\$16.00	\$49.00
Rate Jul 2018 - Dec 2018	\$107.00	\$112.00	\$131.00	\$94.00	\$15.00	\$107.00	\$107.00	\$112.00	\$94.00	\$107.00	\$94.00	\$16.00	\$49.00
Rate Jan 2019 - Mar 2019	\$121.00	\$126.00	\$141.00	\$108.00	\$15.00	\$121.00	\$121.00	\$126.00	\$108.00	\$121.00	\$108.00	\$16.00	\$49.00
Per Item Cost	\$ 880,768.98	\$ 524,319.18	\$108,226.96	\$ -	\$ -	\$ 2,333.76	\$ 55,581.50	\$ 619.08	\$19,457.10	\$ 773.50	\$103,330.50	\$ -	\$ -
Total Disposal	\$ 1,695,410.56												

Recology San Mateo County
 Incentives and Disincentives
 Year 2017

Performance Incentive/Disincentive Payments 2017					
	Performance Incentives and Disincentives				
Member Agency	SFD Missed P/U Events	Average Speed of Answer	90 Second Max Hold Time	Diversion	Net Incentives and Disincentives
Atherton	\$100	\$157	\$706	(\$1,864)	(\$901)
Belmont	\$400	\$577	\$2,596	(\$6,848)	(\$3,275)
Burlingame	\$450	\$1,794	\$8,071	(\$21,294)	(\$10,978)
East Palo Alto	\$200	\$861	\$3,876	(\$10,224)	(\$5,286)
Foster City	\$100	\$722	\$3,247	(\$8,566)	(\$4,497)
Hillsborough	\$200	\$191	\$859	(\$2,267)	(\$1,017)
Menlo Park	\$550	\$1,203	\$5,411	(\$14,276)	(\$7,112)
North Fair Oaks	\$0	\$439	\$1,974	(\$5,207)	(\$2,794)
Redwood City	\$500	\$2,782	\$12,515	(\$33,015)	(\$17,218)
San Carlos	\$700	\$939	\$4,223	(\$11,141)	(\$5,280)
San Mateo	\$1,500	\$3,053	\$13,735	(\$36,236)	(\$17,947)
County Franchised Area	\$100	\$293	\$1,316	(\$3,471)	(\$1,762)
WBSD	\$200	\$113	\$510	(\$1,346)	(\$522)
Total	\$5,000	\$13,125	\$59,040	(\$155,755)	(\$78,590)
Negative number in parenthesis denotes Incentive payment due to Recology.					

Recology San Mateo County
City of Belmont
Attachment R
Rate Year 2019

RESIDENTIAL RATES			Rate	
			Stabilization Fee	Total
R20G	RES WASTE 20G	23.07	3.00	26.07
R32G	RES WASTE 32 GAL	36.47		
R64G	RES WASTE 64 GAL	71.80		
R96G	RES WASTE 96 GAL	107.70		

COMMERCIAL/MULTI FAMILY RATES

		Times Per Week						
		1	2	3	4	5	6	7
C1YG	COMML WASTE 1 YD	203.13	413.56	627.59	844.11	1,062.38	1,325.91	1,564.41
C1YO	COMML ORGANICS 1 YD	142.20	289.48	439.30	590.88	743.67	928.15	1,095.09
C20G	COMML WASTE 20 GALLON	39.01	80.24	119.46	164.02	207.52	259.65	316.30
C2YG	COMML WASTE 2 YD	408.60	823.90	1,243.13	1,665.41	2,093.64	2,471.67	2,927.27
C2YG1	COMML WASTE 2 YD	408.60	823.90	1,243.13	1,665.41	2,093.64	2,471.67	2,927.27
C2YO	COMML ORGANICS 2 YD	286.03	576.73	870.19	1,165.77	1,465.53	1,730.16	2,049.09
C32G	COMML WASTE 32 GALLON	43.32	89.17	132.72	182.24	230.56	288.49	351.43
C32O	COMML ORGANICS 32 GAL	30.33	62.41	92.90	127.57	161.40	201.96	246.02
C3CG	COMML WASTE 3 YD COMPACTOR	1,479.73						
C3YG	COMML WASTE 3 YD	616.23	1,239.90	1,867.22	2,496.42	3,127.79	3,797.00	4,470.87
C3YO	COMML ORGANICS 3 YD	431.36	867.95	1,307.06	1,747.49	2,189.44	2,657.90	3,129.61
C4YG	COMML WASTE 4 YD	841.21	1,696.97	2,552.73	3,418.23	4,287.39	5,192.60	6,116.76
C4YO	COMML ORGANICS 4 YD	588.85	1,187.87	1,786.91	2,392.76	3,001.16	3,634.85	4,281.73
C64G	COMML WASTE 64 GALLON	83.76	169.00	256.41	344.78	438.26	534.06	625.20
C64O	COMML ORGANICS 64 GAL	58.65	118.30	179.48	241.35	306.79	373.81	437.64
C6YG	COMML WASTE 6 YD	1,293.73	2,623.87	3,944.12	5,253.14	6,580.81	7,955.61	9,317.89
C6YO	COMML ORGANICS 6 YD	905.61	1,836.71	2,760.87	3,677.20	4,606.57	5,568.93	6,522.52
C96G	COMML WASTE 96 GALLON	121.06	247.96	376.30	509.01	643.53	810.07	945.06
C96O	COMML ORGANICS 96 GAL	84.74	173.56	263.41	356.30	450.47	567.04	661.55
HHW	HHW FEE PER UNIT							

SOLID WASTE COMPACTOR RATE PER YARD	113.85
-------------------------------------	--------

ATTACHMENT Q UNSCHEDULED SERVICES

The following table specifies Maximum Allowable Rates for Unscheduled Services. These Maximum Rates shall be adjusted annually in accordance with Article 11.

Unscheduled Service Category	Reference	Cost	Description of Cost
Single-Family Dwelling Backyard Collection Service	Section 5.02.A	See table below	See table below
Distance Charge for MFD and Commercial Accounts More than 50 Feet From the Curb	Sections 5.02.B and 5.02.C	A – 10% of base monthly Rate B – 25% of base monthly Rate	A – 51 to 100 feet from Curbside B – 101 feet or more from Curbside
Extra Pick-up Cost for MFD and Commercial Customers	Section 5.02.B and 5.02.C	30% of the base monthly Rate for the size of Container Collected once per week	Per Collection event
Single-Family Return Trip Cost (i.e., request to provide Collection service on other than the regularly scheduled Collection day)	Section 5.02.A	\$17.14	Per Collection event
Additional Targeted Recyclable Materials or Organic Materials Cart Rental	Sections 5.03.A and 5.04.A	A-\$1.13 B-\$3.42	A-Monthly rental fee for Targeted Recycling Cart (any size) B- Monthly rental fee for Organics/Yard Waste Cart (any size)
Additional E-Scrap Pickup Trip	Section 5.05.B4	Varies by number of items	\$28.57 for each trip (up to five items) \$11.42 per item for each additional item on the same trip \$97.12 per item for large console TV's

ATTACHMENT Q UNSCHEDULED SERVICES

Unscheduled Service Category	Reference	Cost	Description of Cost
Additional Confidential Document Destruction Service Event	Section 5.07	\$1,371.06	Per event
Litter Abatement and Collection Service	Section 5.09B	\$77.70 per hour with an eight (8) hour minimum per service person (includes truck)	Per event
Additional Compost Material Delivery	Section 5.11	A-\$142.81 B-\$285.64	A-one way delivery (compost left on site) B-two way delivery (Drop box left on site)
Fee for Service On-Call Bulky Item Collection Service	Section 5.12	\$93.18	Per Event
Additional Community Drop-Off Events	Section 5.13	\$23,308.09 Additional \$1.13 per household for post card announcement if requested by Agency	Per event targeting approximately 6,000 households. Does not include disposal.
Collection for Additional Agency-Sponsored and Non-Agency sponsored Large Events (other than the number of events specified in Attachment C)	Section 5.08	A – \$3,427.66 B – \$5,712.76 C – \$8,569.15	A – one-day events with a projected 2,500 or fewer attendees B – one (1) or two (2) day events less than 7,500 attendees per day, that does not qualify for Category A above C – one (1) or two (2) day events with a projected 7,501 to 10,000 attendees per day
Emergency Services	Section 7.08	\$142.81 per hour	Cost includes refuse collection vehicle and driver

ATTACHMENT Q UNSCHEDULED SERVICES

Unscheduled Service Category	Reference	Cost	Description of Cost
Fee to Collect Contaminated Targeted Recyclable Materials or Organic Materials Container	Section 6.03.A and 8.02.F	25% of the base monthly Rate for the size of Container Collected once per week <u>plus</u> \$17.14	Per Collection event
Key Service	Section 8.02.B	A – \$9.71 B – \$10.85	Monthly cost: A – Residential Customers B – Commercial Customers
Lock purchase fee (replacement at no additional cost)	Section 8.02.B	\$19.43	One-time per Account cost.
Overage Fee (unless Overage Bags purchased)	Section 8.02.G	100% of the base monthly Rate	Per Collection event
Overage Bags Cost (includes Collection)	Section 8.02.G	\$9.14	Per bag
Container Cleaning Fee	Section 8.05.D	A – \$57.13 B – \$97.12	A – per Cart B – per Bin or Drop-Box
Dirty Cart Replacement Cost	Section 8.05.D	A – \$74.28 B – \$85.70 C – \$97.12	A – per 32 gallon Cart B – per 64 gallon Cart C – per 96 gallon Cart

ATTACHMENT Q UNSCHEDULED SERVICES

Backyard Collection Service Distance Costs for Single-Family Dwellings				
(Section 5.02.A)				
	One (1) Solid Waste Cart	Two (2) Solid Waste Carts	Three (3) Solid Waste Carts	Four (4) Solid Waste Carts
Distance from Curbside	Base monthly Solid Waste Rate plus			
0 – 50 feet	\$20.56	\$32.81	\$65.63	\$98.44
51-100 feet	\$23.99	\$36.24	\$69.05	\$101.88
101-150 feet	\$27.41	\$39.67	\$72.47	\$105.30
151 – 200 feet	\$30.85	\$43.10	\$75.91	\$108.73
201 – 250 feet	\$34.27	\$46.52	\$79.35	\$112.16
251 – 300 feet	\$37.70	\$49.95	\$82.77	\$115.58
301 feet or more	\$41.14	\$53.37	\$86.20	\$119.01

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Employment Cost Index (NAICS)

Series Id: CIS201S000000000I (B,H)
 Seasonally adjusted
 Series Title: Total compensation for Private industry workers in Service-providing industries, Index
 Ownership: Private industry workers
 Component: Total compensation
 Occupation: All workers
 Industry: Service providing
 Subcategory: All workers
 Area: United States (National)
 Periodicity: Index number

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Year	Qtr1	Qtr2	Qtr3	Qtr4
2008	107.6	108.4	109.1	109.5
2009	109.8	110.0	110.5	110.9
2010	111.5	112.1	112.5	113.1
2011	113.8	114.5	115.0	115.5
2012	116.3	116.9	117.3	117.7
2013	118.3	119.0	119.5	120.2
2014	120.4	121.5	122.3	123.0
2015	123.8	123.7	124.5	125.1
2016	125.9	126.6	127.3	127.8
2017	128.8	129.6	130.5	131.2

B : Includes wages, salaries, and employer costs for employee benefits.
 H : See Footnote H on www.bls.gov/ect/cimapnote.htm.

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CPI-All Urban Consumers (Current Series)

Series Id: CUUR0000SA0,CUUS0000SA0
 Not Seasonally Adjusted
Series Title: All items in U.S. city average, all urban consumers, not seasonally adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303	214.429	216.177
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537	213.139	215.935
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939	223.598	226.280
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594	228.850	230.338
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957	232.366	233.548
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736	236.384	237.088
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017	236.265	237.769
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.007	238.778	241.237
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120	244.076	246.163

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DRAFT REPORT



City of Belmont
Review of the 2019 Solid Waste Rates
September 2018





September 17, 2018

Mr. Afshin Oskoui
Public Works Director
City of Belmont
One Twin Pines Lane Suite 385
Belmont, California

Subject: Review of the City of Belmont's 2019 Solid Waste Rates

Dear Mr. Oskoui:

HDR was retained by the City of Belmont (City) to provide professional and technical rate services as they relate to the City's solid waste utility. HDR's draft report provides a summary of HDR's findings, conclusions, and recommendations on this matter.

The City is a member of the South Bayside Waste Management Authority (SBWMA) and has a franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials, through December 31, 2020. Through the franchise agreement, the annual compensation for Recology's services is contractually determined. At the same time, the franchise agreement calls for the City to establish their own solid waste retail rates, but not at a level which exceeds the Contractor's "Maximum Rates for Regularly Scheduled Services". Recology has provided to the City their calculation of the maximum rates for regularly scheduled service and HDR has, within this report, provided a limited review and audit of those calculations. In addition, the City is currently renegotiating to extend the franchise agreement with Recology through 2035. A component of the 2019 maximum rates reflects negotiations and agreement to transition rates to 2021 levels as outlined in the tentative agreement.

The main objective of this report is to determine the maximum rates for the City's regularly scheduled and unscheduled solid waste services. This report and HDR's technical review was developed utilizing the City's and Recology's accounting, operating, and management records. HDR has relied upon this information to conduct our limited review, which provides the basis for our findings, conclusions and recommendations.

We appreciate the assistance provided by City staff in the development of this study. More importantly, we appreciate working with City of Belmont's staff, management, and City Council on this project.

Sincerely yours,
HDR Engineering, Inc.

Shawn Koorn
Associate Vice President

hdrinc.com



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Technical Appendix A – Attachment R Rates – Regularly Scheduled Rates

Technical Appendix B – Attachment Q Rates – Unscheduled Services

Introduction

The City of Belmont (City) is a member of the South Bayside Waste Management Authority (SBWMA). In 2010, the City signed a franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials. Through the franchise agreement, the annual compensation for Recology's collection and recycling services is contractually determined. At the same time, the franchise agreement calls for the City to establish and adopt their own solid waste rates, but not at a level which exceeds the Contractor's "Maximum Rates for Regularly Scheduled or Unscheduled Services". Ultimately, Recology bills the City's customers for the solid waste services at the rates established by the City of Belmont City Council.

As a part of the overall rate setting process, Recology's data and information is reviewed by an outside party prior to its use within the calculation of the City's maximum rates. Once that data and information is confirmed, Recology calculates the "maximum rates for regularly scheduled and unscheduled services" and provides a copy of those calculations to the City for their review and acceptance. HDR has provided the review for rate years 2013 through 2018 and now has been requested by the City to provide a review of Recology's solid waste rate calculations for year 2019.

The franchise agreement between the parties, along with the related amendments to the original agreement, contains specific language and exhibits related to the development of the maximum rates for a given year for both regularly scheduled and unscheduled services. This study has reviewed the applicable portions of the franchise agreements and related amendments as they pertain to the 2019 rate year. From this basic understanding of the requirements for establishing the rates in the previous year, HDR reviewed Recology's submittal for the 2019 rate year. This study discusses the review undertaken by HDR for the 2019 rate year, along with our findings, conclusions, and recommendations.

The term of the Recology contract ends on December 31, 2020¹. The franchise agreement states that during calendar year 2017, "the Parties shall meet and confer on the possible extension of the term."² The City has been negotiating an extension of the franchise agreement with Recology through Rate Year 2035. As of August 2018, these negotiations are in the final stages of acceptance by the City Council and Recology. The formal acceptance of the tentative franchise agreement with Recology by the City Council is currently being finalized this month. This report does not discuss or include any of the negotiations between the City and Recology for the possible extension of the agreement. However, as part of the negotiations the 2019 maximum rates include a transition to 2021 rate levels.

¹ Article 3.02 of the City/Recology Franchise Agreement, p. 6.

² Article 3.03 of the City/Recology Franchise Agreement, p. 6.

Limitations of HDR's Review

HDR has provided a limited review of Recology's maximum rate calculations for the 2019 rate year. As noted above, the data and information used by Recology to calculate the City's maximum rates were independently reviewed by another outside firm. Given that outside review of Recology's data and information, HDR has assumed that the data and information input into Recology's rate calculations are reasonable and appropriate. HDR did cross-check and verify the inputs into Recology's model from the database of previously reviewed basic input data and information.

Within HDR's review, four key items were being reviewed and verified. These included:

- A review of Recology's methodology for compliance with our understanding of the required methodology specific for the 2019 rate year.
- A review of the data inputs and information used within the methodology to confirm use of the appropriate costs and adjustment factors which complies with the methodology for regularly scheduled services for the 2019 rate year.
- A review of the data inputs and methodology to confirm use of adjustment factors which complies with the methodology for unscheduled services for the 2019 rate year.
- Confirmation/verification of the calculations (formulas) within the methodology as they apply to the 2019 rate year.

Overview of the Franchise Agreement and Amendments

On June 15, 2010, the City of Belmont entered into a franchise agreement with Recology San Mateo County (Recology) to provide the Belmont community a comprehensive set of high quality waste collection, waste reduction, recycling and composting programs. In order to maximize the quality of services and waste-diversion potential, the City granted to Recology an exclusive right to provide these services within the City. In order to balance that exclusive right to provide these solid waste services against the costs/rates associated with that program, the parties needed to develop an approach or methodology that fairly compensated (and limited) the charges that Recology could charge the City's customers. To address this requirement, the franchise agreement contains specific language and a methodology, within Article 11 of the franchise agreement, for annually establishing the maximum rates for the up-coming calendar year for both regularly scheduled and unscheduled services.

The Franchise Agreement provides for an orderly process and approach to establish rates for the City and compensation for Recology. The review being undertaken by the City and HDR is a part of that orderly process, and the City is performing its due diligence to verify and confirm that the maximum rates calculated by Recology are in accordance with the franchise agreement and associated amendments.

The Franchise Agreement provides for an orderly process and approach to establish rates for the City and compensation for Recology.

Article 11, The Contractor's Compensation, Pass-Through Costs and Rates determines the annual compensation for Recology's collection and recycling services. This calculation of annual compensation sets the Contractor's "Maximum Rates for Regularly Scheduled Services" known

as Attachment R and “Unscheduled Services” known as Attachment Q. Attachment R is established in 11.02 of Article 11, Annual Adjustment of Maximum Rates for Schedule Services. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

Regularly Scheduled Service (Attachment R) - Review of Recology’s Calculated Maximum

On July 31, 2018, Recology provided to the City a letter and the detailed worksheet outlining their calculation of the rate index for rate period 2019. The City retained HDR Engineering, Inc. (HDR) to provide the same rate review for the proposed 2019 rates as they performed in 2013 through 2018. HDR was retained to confirm that the overall methodology is in conformance with the Franchise Agreement and Amendment 2. In addition, HDR also verified or confirmed that the proper data appeared to be used within the analysis, and that the mathematical calculations are correct. In providing this review, HDR attempted to independently calculate the rate index, and in those cases where appropriate, independently confirm certain data inputs (e.g., consumer price index (CPI)).

The major components of the costing methodology include the following:

- **Cost Indexing** – Article 11 of the franchise agreement provides the framework or methodology for the determination of the maximum rate for the upcoming year. In very simple terms, the agreement calls for Recology to annually take the existing maximum rate that is in effect and multiply each rate by an “adjustment percentage”. The adjustment percentage is essentially a cost index.

The updated calculation provided by Recology indicated the need for a maximum adjustment of a 3.07% increase from the 2018 regularly scheduled rates. For 2019, the rate index is essentially composed of only one element; the CPI cost adjustment which defines the total rate index adjustment:

CPI Cost Adjustment	3.07%
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Based upon HDR’s detailed review of Recology’s rate index calculation for 2019 rate year, HDR concluded that the rate index used the appropriate data and information for the time period and the calculations within the methodology were correct. As a result of our detailed review, HDR concluded that based upon the existing Franchise Agreement and associated Amendments, the City’s maximum solid waste rates (overall revenues) for 2019 should be increased by 3.07%. Provided below is a more detailed discussion of each of the elements of the calculation of the rate index and the basis for HDR’s summary conclusion. In developing the calculated maximum rates, Recology provided a schedule of the various solid waste rates. HDR reviewed the calculated maximum rates to confirm that they use the appropriate multiplier.

Residential Regularly Scheduled Solid Waste Rates

The present residential rate is a flat monthly rate per cart. Residential customers are offered different cart sizes (20, 32, 64, and 96 gallons) for service. In reviewing the current residential rates in comparison to the SBWMA study cost information, over the past several years, it has

shown that the 20-gallon cart has not been fully recovering the cost of service. The recent franchise agreement negotiations for the extension of the agreement from 2020 to 2035, have indicated that there is the need for an adjustment to overall rates to align the projected 2020 revenues with the projected 2020 expenses. The City quickly recognized the challenge of imposing a one-time adjustment and the need to help minimize the impacts of this change. At the November 2017 Study Session, the City and HDR discussed with the City Council potential options to minimize the rate impacts in 2020. It was determined that a transition of rates through cost of service adjustments to the 20-gallon cart over the next three year rate setting periods (2019 -2021). As outlined in the tentative franchise agreement there are specific adjustments for the 20-gallon level of service. These adjustments, by year, would be as follows:

- 2019 - \$3.00/month (Cumulative adjustment of \$3.00/month from current rate levels)
- 2020 - \$2.00/month (Cumulative adjustment of \$5.00/month from current rate levels)
- 2021 - \$3.00/month (Cumulative adjustment of \$8.00/month from current rate levels)

The above adjustments are in addition to any other rate adjustments (i.e., CPI increases) required for that rate year.

For the 2019 rates, it is recommended that the rates be equally adjusted across the board to all cart sizes using the overall rate index of 3.07%, with the 20-gallon cart including an additional \$3.00 rate stabilization fee.

Presented below in Table ES-1 are the present monthly residential rate and the proposed residential rates in 2019. The rates are designed to provide an overall 3.07% revenue adjustment compared to the present monthly residential rate.

Table ES - 1 Summary of the Present and Proposed Residential Solid Waste Rates (Regularly Scheduled - \$/Month)					
Schedule	Schedule Description	Present Monthly Rate	Proposed 2019 Rates	CPI \$/Month Change	RSF \$/Month Change
R20G	Residential Waste - 20 Gallons ^[1]	\$22.38	\$26.07	\$0.69	\$3.00
R32G	Residential Waste - 32 Gallons	\$35.38	\$36.47	\$1.09	
R64G	Residential Waste - 64 Gallons	\$69.66	\$71.80	\$2.14	
R96G	Residential Waste - 96 Gallons	\$104.49	\$107.70	\$3.21	

[1] The 2019 proposed 20-gallon cart includes the 3.07% adjustment plus a \$3.00 rate stabilization fee (RSF).

Other Regularly Scheduled Solid Waste Rates

In addition to the above residential rates for regularly scheduled service, the City and Recology have a number of other rate schedules for regularly scheduled solid waste services. These include the following:

- Commercial Waste Carts (20 gallons to 96 gallons)
- Commercial Waste Bins (1 yard to 6 yards; 1 day to 7 days per week pickup)

- Commercial Organics (1 yard to 6 yards; 1 day to 7 days per week pickup)
- Commercial Organics Carts (20 gallons to 96 gallons; 1 day to 7 days per week pickup)
- Commercial Waste 3 Yard Compactor
- Solid Waste Compactor (per yard)

Each of these commercial rate schedules were increased by the overall 3.07% rate increase. A more detailed discussion of these other regularly scheduled services can be found in Section 4 of the report and also within the Technical Appendices as Attachment R rate schedules.

Unscheduled Service (Attachment Q) - Review of Recology's Calculated Maximum

In addition to the regularly scheduled rates, there are also rates for “unscheduled” services. The rates for unscheduled services are contained in Attachment Q of the Franchise Agreement and are annually updated in accordance with the Franchise Agreement. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

The Maximum Rate set forth in Attachment Q is adjusted annually by multiplying the then effective Maximum Rate by the Consumer Price Index (CPI) for the year immediately preceding the year of the calculation and dividing the result by the Consumer Price index for the year two years prior. For example the adjustment calculated in 2018 (for rates to be effective 2019), each Maximum Rate is multiplied by the CPI for 2017 and divided by the CPI for 2016. This resulted in an overall rate increase of 2.13% for Attachment Q rates effective in 2019 for the unscheduled services.

A more detailed discussion of these unscheduled services can be found in Section 4 of the report and also within the Technical Appendices as Attachment Q rate schedules.

Summary Conclusions and Recommendations

Based upon the limited review undertaken, it was the conclusion of HDR that the maximum rates, as calculated by Recology, were in conformance with the City's Franchise Agreement. In reaching this conclusion, HDR has relied upon the data and information as supplied by the City and Recology. Given that conclusion, HDR would recommend that the City revise the residential rates based on the proposed rates provided in Table ES-1 and for commercial customers adopt the maximum rates for scheduled services (Attachment R). For both residential and commercial customer groups, the implementation of these rates will result in an overall increase in solid waste revenues of 3.07%. In addition, a \$3.00/per month rate stabilization fee has been added to the residential 20-gallon cart size to bring the service to align the service to cost and to spread the anticipated 2020 rate adjustment over a three year period. Finally, the unscheduled services (Attachment Q) as calculated by Recology and as reviewed within this report should also be adopted for 2019 based on the 2.13% CPI increase.

Council Review

On September 25, 2018, HDR will present the proposed 2019 rates for both the scheduled services, Schedule R, and unscheduled services, Schedule Q.

Summary of the Review of Solid Waste Rates

This completes the review and analysis for the City's solid waste rates. A full and complete discussion of the review of Recology's solid waste rates can be found in following sections of this report.



1. Introduction and Overview of the Report

1.1 Introduction

The City of Belmont (City) is a member of the South Bayside Waste Management Authority (SBWMA). In 2010, the City signed a franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials. Through the franchise agreement, the annual compensation for Recology's collection and recycling services is contractually determined. At the same time, the franchise agreement calls for the City to establish and adopt their own solid waste rates, but not at a level which exceeds the Contractor's "Maximum Rates for Regularly Scheduled and Unscheduled Services". Ultimately, Recology bills the City's customers for the solid waste services at the rates established by the City of Belmont City Council.

The franchise agreement contract term with Recology is until midnight December 31, 2020. The City and Recology have been negotiating since 2017 to extend Recology's Franchise Agreement for a 15-year term through rate year 2035. As of August 2018, these negotiations are in the final stages of acceptance by the City Council and Recology. The formal acceptance of the tentative franchise agreement with Recology by the City Council is currently being finalized in the near future. The focus of this report is the development and review of the proposed 2019 solid waste rates and does not include any details of the negotiations between the parties.

As a part of the overall rate setting process, Recology's data and information is reviewed by an outside party prior to its use within the calculation of the City's maximum rates. Once that data and information is confirmed, Recology calculates the "maximum rates for regularly scheduled and unscheduled services" and provides a copy of those calculations to the City for their review and acceptance. HDR provided the review for rate years 2013 through 2018 and now has been requested by the City to provide a review of Recology's calculations for rate year 2019 as they pertain to the City's solid waste retail rates.

The franchise agreement between the parties, along with the related amendments to the original agreement, contains specific language and exhibits related to the development of the maximum rates for a given year. This study has reviewed the applicable portions of the franchise agreements and related amendments as they pertain to the 2019 rate year. In addition to this review, the recent contract negotiations has resulted in a rate stabilization fee adjustment to be included in the residential 20-gallon cart size for 2019, 2020, and 2021 based on recent SBWMA cost of service results. This has been included in the Attachment R schedules in addition to the CPI adjustments. From this foundational understanding of the requirements for establishing the rates in the previous year, HDR reviewed Recology's submittal to the City for the 2019 rate year. This study discusses the review undertaken by HDR for the 2019 rate year, along with our findings, conclusions and recommendations.

1.2 Limitations of HDR's Review

It is important to understand that HDR has provided a limited review of Recology's maximum rate calculations for the 2019 rate year. As noted above, the data and information used by Recology to calculate the City's maximum rates were reviewed by another outside firm. HDR did not provide a review of this basic input data as a part of this study. Therefore, HDR has assumed that the data and information input into Recology's rate calculations are reasonable and appropriate. Having said that, HDR did a limited cross-check to verify the inputs into Recology's model, from the database of previously reviewed basic input data and information.

Within HDR's review, the three key items reviewed were the overall methodology, compliance to the agreed upon methodology, and verification of the data inputs. First, the overall methodology is generally well-laid out within the franchise agreement and related amendments. Given that, HDR reviewed Recology's methodology for compliance with our understanding of the required methodology for the 2019 rate year. At the same time, HDR also reviewed the data inputs and information used within the methodology as applied to the 2019 rate year. While the data and information was previously reviewed, the selection and use of the appropriate costs and adjustment factors must comply with the methodology. Finally, HDR confirmed/verified the calculations (formulas) used within the methodology as applied to the 2019 rate year were accurate. As a part of HDR's review, these three aspects of Recology's rate filing were reviewed and verified.

1.3 Organization of the Report

This report is organized in a manner that reflects the general approach used by HDR to review Recology's maximum rates for scheduled and unscheduled services. The next section of this report provides a brief overview of the relevant portions of the franchise agreement and the amendments. Section 3 then provides a discussion and overview of the technical review undertaken by HDR of the Recology rate calculations. From that review, HDR was then able to review and verify the proposed maximum rates for scheduled and unscheduled services. The proposed maximum rates are discussed and shown in Section 4. Finally, Section 5 provides a summary of HDR's findings, conclusions and recommendations from this study.



2. Overview of the Franchise Agreement and Amendments

2.1 Introduction

An important starting point for reviewing the City’s solid waste rates is to gain an understanding of the existing franchise agreements and the two amendments to that agreement. This section of the report is intended to provide a brief overview of the relevant portions of the franchise agreement; amendments and the settlement agreement to help the reader better understand the basis for this review of the rates.

The review and discussion contained herein is not intended to be comprehensive in nature, nor provide any legal interpretation or opinion regarding the relevant portions of this agreement as it relates to this study.

2.2 Overview of the Franchise Agreement and Amendments

The City of Belmont (City) is a member of the South Bayside Waste Management Authority (SBWMA). A franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials was signed in 2010. Through the franchise agreement, the annual compensation for Recology’s collection and recycling services is contractually determined. The franchise agreement calls for the City to establish and adopt their own solid waste rates, but not at a level which exceeds the Contractor’s “Maximum Rates for Regularly Scheduled Services” known as Attachment R and “Maximum Rates for Unscheduled Services”, known as Attachment Q. The franchise agreement between the parties, along with the related amendments to the original agreement, contains specific language and exhibits related to the development of the maximum rates for a given year for both Attachment R and Q.

The Franchise Agreement provides for an orderly process and approach to establish rates for the City and compensation for Recology. The review being undertaken by the City and HDR is a part of that orderly process, and the City is performing its due diligence to verify and confirm that the maximum rates calculated by Recology are in accordance with the franchise agreement for the 2019 rate year.

... and the City is performing its due diligence to verify and confirm that the maximum rates calculated by Recology are in accordance with the franchise agreement for the 2019 rate year.

Article 11, The Contractor’s Compensation, Pass-Through Costs and Rates determines the annual compensation for Recology’s collection and recycling services. This calculation of annual compensation sets the Contractor’s “Maximum Rates for Regularly Scheduled Services” known as Attachment R and “Unscheduled Services” known as Attachment Q. Attachment R is established in 11.02 of Article 11, Annual Adjustment of Maximum Rates for Schedule Services. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

2.3 Regularly Scheduled Service (Attachment R)

Article 11 of the Franchise Agreement provides the framework or methodology for the determination of the maximum rate for the upcoming year. In very simple terms, the agreement calls for Recology to annually take the existing maximum rate that is in effect and multiply each rate by an “adjustment percentage”. The adjustment percentage is essentially a cost index. More specifically, the franchise agreement notes the following:

“ . . . the Adjustment Percentage used to calculate the Maximum Rates that will be effective in Calendar Year 2013 shall be calculated during 2012 by dividing the Cost Index for 2012 (calculated during 2012) by the Cost Index for 2011 (calculated during 2011).”³

The franchise agreement provides the cost index for the various components. The cost index is stated in total dollars. For example, the total cost index for 2018 was \$7,033,107. Going forward, for each year the cost index is calculated by adding together the various component costs which are composed of the following cost elements:

- Wage Component
- Fuel Component
- General Expense Component
- Disposal Costs Component
- Performance-Based Component, and
- Agency Payments Components

For each cost component, the franchise agreement provides a detailed discussion around the component and its adjustment over time.

2.4 Unscheduled Service (Attachment Q)

The rates for unscheduled services are contained in Attachment Q of the Franchise Agreement and are annually updated in accordance with the Franchise Agreement. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

The Maximum Rate set forth in Attachment Q is adjusted annually by multiplying the then effective Maximum Rate by the Consumer Price Index (CPI) for the year immediately preceding the year of the calculation and dividing the result by the Consumer Price index for the year two years prior. For example the adjustment calculated in 2018 (for rates to be effective 2019), each Maximum Rate is multiplied by the CPI for 2017 and divided by the CPI for 2016. This resulted in an overall rate increase of 2.13% for effective rates in 2019 for the unscheduled services.

³ Franchise Agreement, Section 11.02(B), Annual Adjustment of Maximum Rates for Scheduled Services, p. 89-90.

2.5 Summary

This section of the report has provided a brief overview of the relevant portions of the franchise agreement and amendments with Recology. While this overview of the agreement and amendments has been necessarily abbreviated, it does provide a good understanding of the basic framework or methodology used to previously calculate the maximum rate for regularly scheduled service, along with this current time period.



3. Review of Recology’s Calculated “Maximum Rates for Regularly Scheduled Services”

3.1 Introduction

As a part of the Franchise Agreement, Recology calculates the maximum rates for the up-coming calendar year. The calculated maximum rates are formula driven, and as noted in the prior section of the report, there is relatively clear language and numeric examples of the rate indexing process. The purpose of this section of the report is to provide an overview of Recology’s rate filing to the City for the 2019 rate year, along with HDR’s technical review of that filing.

3.2 Overview of Recology’s 2019 Rate Index Calculation

On July 31, 2018, Recology provided to the City a letter and the detailed worksheet outlining their calculation of the rate index. The letter, dated July 31, 2018, indicated a maximum increase adjustment of 3.07%. HDR reviewed that revised calculation and determined based upon the information provided that it appears to be in agreement with the Franchise Agreement. Provided below in Table 3-1 is an overview of Recology’s rate index calculation. In summary form, this calculation indicates an increase of 3.07% to the 2018 regularly scheduled rates.

Table 3 – 1
Overview of Recology's Rate Index Calculation

Cost Component	Cost Component Dollars (\$)	2009 CPI Index	2018 CPI Index	2018 Cost Index	2017 Cost Index
Wage Component	\$1,380,122	110.9	131.2	\$1,632,750	\$1,590,438
Fuel Component	211,727	3.45	2.38	171,836	146,061
General Expense Component	1,528,563	214.537	245.120	1,724,675	1,691,888
Agency Components				1,828,608	1,774,061
Disposal Cost Component (i)				1,695,411	1,570,386
Disposal Cost Component (ii)				1,546,938	1,424,130
Disposal Cost Component (iii)				-1,570,386	-1,378,765
Performance Based Component					
- Incentives				6,848	7,917
- Disincentives				-3,573	-2,805
Total				\$7,033,107	\$6,823,311
			Cost Index 2018 -	\$7,033,107	
			Annual Increase Divided by Cost Index 2017 -	\$6,823,311	
			Annual Percentage Equals -	3.07%	
			Maximum Rates to be Multiplied by:	3.07%	

- (i) The Contractor's projected costs for April 1 of that calendar year through March 31 of the following year plus
- (ii) The Contractors' actual costs April 1 of the year prior through March 31 of the calendar year minus
- (iii) The contractor's previous projection.

In a more simplified or summarized manner, the rate index for 2019 of an increase of 3.07% is composed of one element, the CPI cost adjustment as follows:

CPI Cost Adjustment 3.07%

As noted above, the City retained HDR to review the Recology calculations (Table 3-1) to confirm that the proper data appeared to be used within the analysis, and that the mathematical calculations were correct for the 2019 rate year. While Table 3-1 appears rather simple and straight-forward, the calculations are, in some cases, much more complex with other detailed worksheets behind them.

Provided below is a more detailed discussion of the analytical steps taken to review the Recology calculations and the results of our review.

3.3 Overview of General Approach Used to Review Calculations

As noted in Section 2, an important starting point for reviewing the rate index calculation is understanding the Franchise Agreement and Amendment 2. HDR reviewed the documents, then independently reviewed the rate index calculation. HDR developed spreadsheets to review and

attempt to duplicate the Recology calculations for 2019. In this way, HDR could review the data sources used and verify their appropriateness, while at the same time, verifying the formulas used within the calculations.

3.4 Summary Conclusions of HDR’s Review of the Rate Index Calculations

Based upon HDR’s detailed review of Recology’s rate index calculation, HDR concluded that the rate index used the appropriate data and information for the time period and the calculations within the methodology were correct. As a result of our independent review HDR concluded that based upon the existing Franchise Agreement and Amendments, the maximum rates should be calculated based on the increase in rates of 3.07%. Provided below is a more detailed discussion of each of the elements of the calculation of the rate index and the basis for HDR’s summary conclusion.

“ . . . HDR concluded that based upon the existing Franchise Agreement and Amendments, the maximum rates should be calculated based on the increase in rates of 3.07%.”

3.5 HDR’s Detailed Review of the Rate Index Calculations

As previously discussed, the focus of HDR’s review was on the calculations used to establish the rate index for the “Maximum Rates for Regularly Scheduled Services”. Article 11 of the Franchise Agreement and Amendment No. 2 form the basis for the calculations. As shown in Table 3-1, there is only one calculation component to the rate index calculation, the CPI Cost Adjustment Percentage.

3.5.1 CPI Cost (Index) Adjustment

The rate setting process based on Article 11 and the Amendments is a rolling forward index. For example the Maximum Rate for 2019 would be calculated in 2018 by reviewing the 2018 and 2009 cost indices. Therefore, as a part of HDR’s review process, both 2018 and 2019 rate setting calculations were reviewed.

In simplified terms, general operating costs are adjusted annually by the use of a cost index. The CPI Cost Index is segregated into seven different cost components. They are as follows:

- **Wages** - The wages for base year 2009 is multiplied by the difference between the 2009 base year Employment Cost Index and the current year Employment Cost Index published for the 4th quarter of the year immediately preceding the Calendar Year of the Cost index. In very simplified terms, the agreement uses the wages at the start of the agreement and then simply adjusts wages by a CPI amount.
- **Fuel** – The fuel for base year 2009 is multiplied by the difference between the 2009 average price per gallon and the average price per gallon of fuel for the twelve month period ending March 31 of the Calendar Year.
- **General Expense** – The general expense base for 2009 is multiplied by the difference between the base year Consumer Price Index and the current year Consumer Price Index.

- **Disposal Costs** – (i) The Contractor’s projected costs for April 1 of that calendar year through March 31 of the following year plus (ii) the Contractors’ actual costs April 1 of the year prior through March 31 of the calendar year minus (iii) the contractor’s previous projection.
- **Performance-Based** – Is the sum of incentives and disincentives the year immediately preceding the Calendar Year of the Cost Index. The determination of incentives and disincentives is independently determined by another outside party.
- **Agency Payment** – The anticipated amount of total Agency payments as detailed in Article 10 divided by (1 – 0.26) then multiplying the result by 0.26.

For each of the above components, HDR reviewed the source data and information used within Recology’s calculations. As a part of Recology’s packet of information, the source data used by Recology was attached as an amendment. While much of the cost data and information had previously been audited by another outside independent consultant, in those cases where other key assumptions to the analysis were needed (e.g., CPI index), HDR independently reviewed them.

Based on the changes from the 2018 cost index to the 2017 cost index the costs increased by \$209,797 or 3.07% overall ($\$7,033,107 - \$6,823,311 = \$209,797$ or $\$209,797/\$6,823,311 = 3.07\%$). The majority of the components are based on specific cost indexes and/or formulas as explained previously. Disposal costs are based on projections and actuals and are made of three components the (i) Contractor’s projected costs, (ii) the Contractors’ actual costs of the year prior, and the (iii) Contractor’s previous projection. The projected disposal costs increased by \$125,025 or 7.96%. The actual disposal costs increased by \$122,808 or 8.62%. The Contractor’s previous projection decreased by \$191,621 or 13.90%. The total disposal cost overall increased by only \$56,212 or 3.48%. Provided below in Table 3-2 is a summary of the changes in cost index compared from 2017 to 2018.

Table 3 – 2
Summary of Changes in Cost Index from 2017 to 2018

Cost Component	2017 Cost Index	2018 Cost Index	\$ Difference	% Difference
Wage Component	\$1,590,438	\$1,632,750	\$42,312	2.66%
Fuel Component	146,061	171,836	25,775	17.5%
General Expense Component	1,691,888	1,724,675	32,787	1.94%
Agency Components	1,774,061	1,828,608	54,547	3.07%
Disposal Costs				
Component (i) Projected	\$1,570,386	\$1,695,411	\$125,025	7.96%
Component (ii) Actual	1,424,130	1,546,938	122,808	8.62%
Component (iii) Reversal	<u>(1,378,765)</u>	<u>(1,570,386)</u>	<u>(191,621)</u>	<u>13.90%</u>
Total Disposal Costs	\$1,615,751	\$1,671,963	\$56,212	3.48%
Performance Based Component				
- Incentives	7,917	6,848	(1,069)	(13.50%)
- Disincentives	<u>(2,805)</u>	<u>(3,573)</u>	<u>(768)</u>	<u>.38%</u>
Total	\$6,823,311	\$7,033,107	\$209,797	3.07%

In summary form, HDR independently confirmed the calculation of the CPI cost adjustment increase of 3.07%. In providing this independent confirmation, HDR did note the Consumer Price Index publishes by month, annual, and bi-annually. By definition within the agreement, the annual CPI is to be used.

3.6 Conclusions Regarding the Calculation of the Rate Index

Based upon the review of the Recology rate calculation, HDR concluded that the calculation as provided by Recology appears appropriate and in keeping with the original Franchise Agreement and Amendment No. 2. In reaching this conclusion, HDR reviewed and verified the data inputs into the calculation, while also confirming the overall methodology and calculations. Based upon our conclusions, the calculated Maximum Rate Index for 2019 is an increase of 3.07% in overall rates.



4. Review of the Proposed 2019 Solid Waste Rates

4.1 Introduction

In the previous section of this report, the rate indexing for the City's 2019 solid waste rates was reviewed. This analysis provides the basis for determining the City's maximum rates. This section of the report will review the maximum solid waste rates for Regularly Scheduled Services (Attachment R) and Unscheduled Services (Attachment Q).

4.2 Review of Rate Index Multiplier

From the review of the rate index multiplier, it was concluded that the analysis developed by Recology appears to comply with the City's franchise agreement. The overall adjustment to revenues derived from rates for 2019 is a 3.07% increase in the existing rates. In developing the calculated maximum rates, Recology provided a schedule of the rates. HDR reviewed the calculated maximum rates to confirm that they use the appropriate multiplier. Presented below is a discussion of the present solid waste rates and the proposed 2019 rates for residential and commercial customers.

4.3 Residential Regularly Scheduled Services

The present residential rate structure is a flat monthly rate per cart. Residential customers are offered different cart sizes (20, 32, 64 and 96 gallons) for service. In reviewing the current residential rates in comparison to the SBWMA study cost information, over the past several years, it has shown that the 20-gallon cart has not been fully recovering the cost of service. The recent Franchise negotiations have indicated that there is the need for an adjustment to overall rates to align the projected 2020 revenues with the projected 2020 expenses. The City quickly recognized the challenge of imposing a one-time adjustment and the need to help minimize the impacts of this change. At the November 2017 Study Session, the City and HDR discussed with the City Council potential options to minimize the rate impact in 2020. It was determined that a transition of rates through cost of service adjustments to the 20-gallon cart over the next three rate setting periods (2019 - 2021). As outlined in the tentative franchise agreement there are specific adjustments for the 20-gallon level of service. These adjustments, by year, would be as follows:

- 2019 - \$3.00/month (Cumulative adjustment of \$3.00/month from current rate levels)
- 2020 - \$2.00/month (Cumulative adjustment of \$5.00/month from current rate levels)
- 2021 - \$3.00/month (Cumulative adjustment of \$8.00/month from current rate levels)

The above adjustments are in addition to any other rate adjustments (i.e., CPI increases) required for that rate year. As a point of reference, approximately 1,925 accounts, or approximately 28% of the total residential accounts are the 20-gallon cart size. In terms of revenue impacts the proposed cost of service adjustments to the 20-gallon cart size will generate additional revenue in each year of approximately:

2019	\$69,300
2020	115,500
2021	<u>184,512</u>
3-Year Total	\$369,024

For the 2019 rates, it is recommended that the rates be equally adjusted across the board to all cart sizes using the overall rate index of 3.07%, with the 20-gallon cart including an additional \$3.00 rate stabilization fee.

Presented in Table 4-1 are the current monthly residential rate and the proposed residential rates for 2019. The adjustments for residential customer's rates are designed to provide an overall 3.07% revenue increase compared to the present monthly residential rate plus a \$3.00 rate stabilization fee for the 20-gallon cart size.

Table 4 – 1 Summary of the Present and Calculated Maximum Residential Solid Waste Rates (Regularly Scheduled - \$/Month)					
Schedule	Schedule Description	Current Monthly Rate	CPI \$/Month Change	RSF \$/Month Change ^[1]	Calculated Maximum 2019 Rate
R20G	Residential Waste - 20 Gallons	\$22.38	\$0.69	\$3.00	\$26.07
R32G	Residential Waste - 32 Gallons	\$35.38	\$1.09		\$36.47
R64G	Residential Waste - 64 Gallons	\$69.66	\$2.14		\$71.80
R96G	Residential Waste - 96 Gallons	\$104.49	\$3.21		\$107.70

[1] The 2019 proposed 20-gallon cart includes the 3.07% adjustment plus a \$3.00 rate stabilization fee.

4.4 Commercial Waste Carts Regularly Scheduled Service

Some commercial waste customers have similar service to the residential customers in that they have cart sizes that range from 20 gallons to 96 gallons. However, the difference between the residential and commercial service is the number of pick-ups per week. A commercial customer can choose their level of service (number of pick-ups per week). Presented in Table 4-2 is a summary of the current commercial rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 4 – 2
Summary of the Present and Calculated Maximum Commercial Solid Waste Rates
(By Gallon Cart Size; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C20G	Commercial Waste - 20 Gallon							
	Present 2018 Monthly Rate	\$37.85	\$77.85	\$115.90	\$159.13	\$201.34	\$251.92	\$306.88
	Calculated Maximum 2019 Rate	\$39.01	\$80.24	\$119.46	\$164.02	\$207.52	\$259.65	\$316.30
	\$/Month Change	\$1.16	\$2.39	\$3.56	\$4.89	\$6.18	\$7.73	\$9.42
C32G	Commercial Waste - 32 Gallon							
	Present 2018 Monthly Rate	\$42.03	\$86.51	\$128.77	\$176.81	\$223.69	\$279.90	\$340.96
	Calculated Maximum 2019 Rate	\$43.32	\$89.17	\$132.72	\$182.24	\$230.56	\$288.49	\$351.43
	\$/Month Change	\$1.29	\$2.66	\$3.95	\$5.43	\$6.87	\$8.59	\$10.47
C64G	Commercial Waste - 64 Gallon							
	Present 2018 Monthly Rate	\$81.27	\$163.97	\$248.77	\$334.51	\$425.21	\$518.15	\$606.58
	Calculated Maximum 2019 Rate	\$83.76	\$169.00	\$256.41	\$344.78	\$438.26	\$534.06	\$625.20
	\$/Month Change	\$2.49	\$5.03	\$7.64	\$10.27	\$13.05	\$15.91	\$18.62
C96G	Commercial Waste - 96 Gallon							
	Present 2018 Monthly Rate	\$117.45	\$240.57	\$365.09	\$493.85	\$624.36	\$785.94	\$916.91
	Calculated Maximum 2019 Rate	\$121.06	\$247.96	\$376.30	\$509.01	\$643.53	\$810.07	\$945.06
	\$/Month Change	\$3.61	\$7.39	\$11.21	\$15.16	\$19.17	\$24.13	\$28.15

As can be seen, the rates have maintained the existing structure for commercial waste customers with carts.

4.5 Commercial Waste Bins Regularly Scheduled Service

Some commercial customers have larger bins which range in size from 1 yard to 6 yards. Commercial waste customers also have the option of different levels of service and can select the number of pick-ups per week. Presented in Table 4-3 is a summary of the current commercial waste bin rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 4 – 3
Summary of the Present and Calculated Maximum Commercial Solid Waste Rates
(By Bin Size in Yards; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C1YG	Commercial Waste - 1 Yard							
	Present 2018 Monthly Rate	\$197.08	\$401.24	\$608.90	\$818.97	\$1,030.74	\$1,286.42	\$1,517.81
	Calculated Maximum 2019 Rate	\$203.13	\$413.56	\$627.59	\$844.11	\$1,062.38	\$1,325.91	\$1,564.41
	\$/Month Change	\$6.05	\$12.32	\$18.69	\$25.14	\$31.64	\$39.49	\$46.60
C2YG	Commercial Waste - 2 Yard							
	Present 2018 Monthly Rate	\$396.43	\$799.36	\$1,206.10	\$1,615.80	\$2,031.28	\$2,398.05	\$2,840.08
	Calculated Maximum 2019 Rate	\$408.60	\$823.90	\$1,243.13	\$1,665.41	\$2,093.64	\$2,471.67	\$2,927.27
	\$/Month Change	\$12.17	\$24.54	\$37.03	\$49.61	\$62.36	\$73.62	\$87.19
C2YG1	Commercial Waste - 2 Yard							
	Present 2018 Monthly Rate	\$396.43	\$799.36	\$1,206.10	\$1,615.80	\$2,031.28	\$2,398.05	\$2,840.08
	Calculated Maximum 2019 Rate	\$408.60	\$823.90	\$1,243.13	\$1,665.41	\$2,093.64	\$2,471.67	\$2,927.27
	\$/Month Change	\$12.17	\$24.54	\$37.03	\$49.61	\$62.36	\$73.62	\$87.19
C3YG	Commercial Waste - 3 Yard							
	Present 2018 Monthly Rate	\$597.88	\$1,202.97	\$1,811.60	\$2,422.06	\$3,034.63	\$3,683.90	\$4,337.70
	Calculated Maximum 2019 Rate	\$616.23	\$1,239.90	\$1,867.22	\$2,496.42	\$3,127.79	\$3,797.00	\$4,470.87
	\$/Month Change	\$18.35	\$36.93	\$55.62	\$74.36	\$93.16	\$113.10	\$133.17
C4YG	Commercial Waste - 4 Yard							
	Present 2018 Monthly Rate	\$816.15	\$1,646.42	\$2,476.70	\$3,316.42	\$4,159.69	\$5,037.94	\$5,934.57
	Calculated Maximum 2019 Rate	\$841.21	\$1,696.97	\$2,552.73	\$3,418.23	\$4,287.39	\$5,192.60	\$6,116.76
	\$/Month Change	\$25.06	\$50.55	\$76.03	\$101.81	\$127.70	\$154.66	\$182.19
C6YG	Commercial Waste - 6 Yard							
	Present 2018 Monthly Rate	\$1,255.20	\$2,545.72	\$3,826.64	\$5,096.67	\$6,384.80	\$7,718.65	\$9,040.35
	Calculated Maximum 2019 Rate	\$1,293.73	\$2,623.87	\$3,944.12	\$5,253.14	\$6,580.81	\$7,955.61	\$9,317.89
	\$/Month Change	\$38.53	\$78.15	\$117.48	\$156.47	\$196.01	\$236.96	\$277.54

The commercial waste rates for customers with bins have maintained the existing rate structure and rate relationships.

4.6 Commercial Organics Bins Regularly Scheduled Service

The rate charged for commercial organics is tied to the commercial waste rate. Commercial organics rates are charged at 70% of the commercial waste rate, for a comparable size bin. Similar to the commercial waste bin customers, commercial organics customers have bins which range in size from 1 yard to 6 yards. Similar to the commercial waste customer, the commercial organics customers also have the option of different levels of service and can select the number of pick-ups per week. Presented in Table 4-4 is a summary of the current commercial organics bin rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some rounding of the rates may occur for purposes of ease of administration.

Table 4 –4
Summary of the Present and Calculated Maximum Commercial Organics
Solid Waste Rates (By Bin Size in Yards; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C1YO	Commercial Organics - 1 Yard							
	Present 2018 Monthly Rate	\$137.96	\$280.86	\$426.22	\$573.28	\$721.52	\$900.50	\$1,062.47
	Calculated Maximum 2019 Rate	\$142.20	\$289.48	\$439.30	\$590.88	\$743.67	\$928.15	\$1,095.09
	\$/Month Change	\$4.24	\$8.62	\$13.08	\$17.60	\$22.15	\$27.65	\$32.62
C2YO	Commercial Organics - 2 Yard							
	Present 2018 Monthly Rate	\$277.51	\$559.55	\$844.27	\$1,131.05	\$1,421.88	\$1,678.63	\$1,988.06
	Calculated Maximum 2019 Rate	\$286.03	\$576.73	\$870.19	\$1,165.77	\$1,465.53	\$1,730.16	\$2,049.09
	\$/Month Change	\$8.52	\$17.18	\$25.92	\$34.72	\$43.65	\$51.53	\$61.03
C3YO	Commercial Organics - 3 Yard							
	Present 2018 Monthly Rate	\$418.51	\$842.10	\$1,268.13	\$1,695.44	\$2,124.23	\$2,578.73	\$3,036.39
	Calculated Maximum 2019 Rate	\$431.36	\$867.95	\$1,307.06	\$1,747.49	\$2,189.44	\$2,657.90	\$3,129.61
	\$/Month Change	\$12.85	\$25.85	\$38.93	\$52.05	\$65.21	\$79.17	\$93.22
C4YO	Commercial Organics - 4 Yard							
	Present 2018 Monthly Rate	\$571.31	\$1,152.49	\$1,733.69	\$2,321.49	\$2,911.77	\$3,526.58	\$4,154.20
	Calculated Maximum 2019 Rate	\$588.85	\$1,187.87	\$1,786.91	\$2,392.76	\$3,001.16	\$3,634.85	\$4,281.73
	\$/Month Change	\$17.54	\$35.38	\$53.22	\$71.27	\$89.39	\$108.27	\$127.53
C6YO	Commercial Organics - 6 Yard							
	Present 2018 Monthly Rate	\$878.64	\$1,782.00	\$2,678.64	\$3,567.67	\$4,469.36	\$5,403.06	\$6,328.24
	Calculated Maximum 2019 Rate	\$905.61	\$1,836.71	\$2,760.87	\$3,677.20	\$4,606.57	\$5,568.93	\$6,522.52
	\$/Month Change	\$26.97	\$54.71	\$82.23	\$109.53	\$137.21	\$165.87	\$194.28

4.7 Commercial Organics Carts Regularly Scheduled Service

Commercial customers can also have the smaller gallon-sized carts for organic waste. Presented in Table 4-5 is a summary of the current commercial organics cart rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 4 – 5
Summary of the Present and Calculated Maximum Commercial Organics
Solid Waste Rates (By Gallon Cart Size; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C320	Commercial Organics - 32 Gallon							
	Present 2018 Monthly Rate	\$29.43	\$60.55	\$90.13	\$123.77	\$156.59	\$195.94	\$238.69
	Calculated Maximum 2019 Rate	\$30.33	\$62.41	\$92.90	\$127.57	\$161.40	\$201.96	\$246.02
	\$/Month Change	\$0.90	\$1.86	\$2.77	\$3.80	\$4.81	\$6.02	\$7.33
C640	Commercial Organics - 64 Gallon							
	Present 2018 Monthly Rate	\$56.90	\$114.78	\$174.13	\$234.16	\$297.65	\$362.68	\$424.60
	Calculated Maximum 2019 Rate	\$58.65	\$118.30	\$179.48	\$241.35	\$306.79	\$373.81	\$437.64
	\$/Month Change	\$1.75	\$3.52	\$5.35	\$7.19	\$9.14	\$11.13	\$13.04
C960	Commercial Organics - 96 Gallon							
	Present 2018 Monthly Rate	\$82.22	\$168.39	\$255.56	\$345.69	\$437.05	\$550.15	\$641.85
	Calculated Maximum 2019 Rate	\$84.74	\$173.56	\$263.41	\$356.30	\$450.47	\$567.04	\$661.55
	\$/Month Change	\$2.52	\$5.17	\$7.85	\$10.61	\$13.42	\$16.89	\$19.70

The commercial organics cart rates have maintained the existing rate structure and rate relationships.

4.8 Other Miscellaneous Solid Waste Rates

The solid waste rates also include other solid waste rates for multi-family customers. These rates are shown below in Table 4-6

Table 4 – 6
Summary of the Present and Calculated Maximum Other Miscellaneous
Solid Waste Rates (Regularly Scheduled - \$/Month)

Schedule	Schedule Description	
C3CG	Commercial Waste 3 Yard Compactor	
	Present 2018 Monthly Rate	\$1,435.66
	Calculated Maximum 2019 Rate	\$1,479.73
	\$/Month Change	\$44.07
	Solid Waste Compactor Rate Per Yard	
	Present 2018 Monthly Rate	\$110.46
	Calculated Maximum 2019 Rate	\$113.85
	\$/Month Change	\$3.39

4.9 Unscheduled Services (Attachment Q)

Recology also provides a number of services that are not considered “regularly scheduled” services and these particular services are not included as a part of the Attachment R rates discussed above. The rate for unscheduled services is contained in Attachment Q of the Franchise Agreement and is annually updated in accordance with the Franchise Agreement.

The Maximum Rate set forth in Attachment Q is adjusted annually by multiplying the then effective Maximum Rate by the Consumer Price Index (CPI) for the year immediately preceding the year of the calculation and dividing the result by the Consumer Price Index for the year two years prior. For example the adjustment calculated in 2018 (for rates to be effective 2019), each Maximum Rate is multiplied by the CPI for 2017 and divided by the CPI for 2016. This resulted in an overall rate increase of 2.13% for Attachment Q rates effective in 2019 for the unscheduled services. Attached as a part of the technical appendices are the proposed Attachment Q rates for unscheduled services.

4.10 Summary

This section of the report has reviewed the present solid waste rates and the 2019 calculated maximum rates. Detailed exhibits of the Attachment R and Attachment Q rates can be found in Technical Appendix A and B, respectively.

5. Summary of Solid Waste Rate Findings, Conclusions and Recommendations

5.1 Introduction

This report has reviewed the calculated Maximum Rate as developed by Recology. HDR used a systematic process to review the calculation of the rate index, along with the resulting maximum rates for regularly scheduled service.

5.2 Summary Findings, Conclusions and Recommendations

HDR reviewed the Recology rate calculation and concluded that the rate index and resulting maximum solid waste rates for 2019 were calculated in a manner which reflected the intent of the Franchise Agreement and Amendment 2 including the additional rate stabilization fee (RSF) for the residential 20-gallon cart size.

On September 25, 2018, HDR will present the proposed 2019 rates for both the scheduled services, Schedule R and unscheduled services, Schedule Q to the City Council.

5.3 Looking Ahead – Future Rate Adjustment to 2020

At the November 2017 Study Session, the Council reviewed alternative options or approaches to adjust the City's rates to cost-based levels by 2021. The policy direction provided by City Council at the November 2017 Study Session was to establish a Rate Stabilization Fund (RSF) in order to spread the expected rate adjustment for 2021 over more than a single year (i.e., multiple years). The RSF will be funded in part by proceeds from a special fee (the "RSF Fee") which will be included in the maximum rates. The RSF Fee is an Agency imposed fee. That is, it shall be treated as an Agency Payment (pass-through cost) for purposes of determining the Total Contractors (i.e., Recology's) compensation for 2019, 2020 and 2021. Recology will retain the proceeds from the fee and credit them to the City's RSF account. The balance of funds within the RSF will be applied as directed by the City to reduce the Maximum Rate increases that would otherwise occur in 2021. Any unused RSF balance in 2021 will be carried forward in 2022 and used to offset the rate adjustments at that time.

The Rate Stabilization Fund will be funded, in part, by the imposition of the RSF Fee. The RSF fee will be applied in 2020 to all regularly scheduled services (i.e., all residential and commercial rates) and shall be equal to 1.25% of Gross Revenue billed on all regular services, including the single-family 20-gallon cart size. The RSF Fee will fund a portion of the RSF. The other portion of RSF funding will be derived from the cumulative 2019, 2020 and 2021 cost true-up adjustment to the single-family 20-gallon carts (i.e., the \$3.00, \$2.00 and \$3.00 adjustments in 2019, 2020 and 2021). In summary form, the RSF will be funded in 2019, 2020 and 2021 as follows:

Table 5 – 1
Summary of the Rate Stabilization Fund Special Charges

Description	2019 Cost True-Up	2020 RSF Fee [1]	2020 Cost True-Up	2021 Cost True-Up
Residential 20 gallon	\$3.00/Month	1.25%	\$2.00/Month	\$3.00/Month
Residential 32 gallon	0.00	1.25%	0.00	0.00
Residential 64 gallon	0.00	1.25%	0.00	0.00
Residential 96 gallon	0.00	1.25%	0.00	0.00
All Other Regularly Scheduled Services	0.00	1.25%	0.00	0.00

[1] – 1.25% of gross revenue billed

It is important to note that the cumulative cost of service adjustment for the 20-gallon cart will be a total of \$8.00/month in 2021 (\$3.00 in 2019, \$5.00 in 2020, \$8.00 in 2021). While the RSF Fee of 1.25% will be a “one-time” assessment, the cost true-up adjustment for the 20-gallon cart will carry-forward beyond 2021. Finally, any proposed rate adjustments in 2019, 2020 and 2021 (i.e., indexing cost adjustments) will be in addition to those shown in Table 5-1.

To better understand the impact of the 1.25% RSF Fee, if the estimated total billings in 2020 are approximately \$7.8 million. If applied to that amount of total revenue, approximately \$98,000 would be generated. In total, combining both the cost of service adjustments to the 20-gallon cart and the one-time 1.25% RSF Fee, will establish a rate stabilization fund of approximately \$470,000 by 2021. Provided in Table 3 is a summary of the revenue calculation.

Table 5 – 2
Summary Revenue Projections of Rate Stabilization Fund

	2018 Rates	2019	2020	2021	Total
Rate Stabilization Fee (\$/Month)		\$3.00	\$2.00	\$3.00	
Residential 20 gallon (\$/Month)	\$22.38	\$25.38	\$27.38	\$30.38	
Rate Stabilization Fund	# Cust. =1,922				
20-Gallon Revenue		\$69,192	\$115,820	\$184,512	\$369,024
1.25% Total Billed ^[1]		<u>N/A</u>	<u>98,612</u>	<u>N/A</u>	<u>98,612</u>
Total RSF Fund		\$69,192	\$213,932	\$184,512	\$467,636

[1] Assumed 2020 billed revenue of \$7,888,920 * 1.25%

5.4 Summary

This completes the review conducted by HDR for the City of Belmont on the 2019 Solid Waste rates. This report has met the City’s requirement to conduct a due diligence on the rate index and resulting solid waste rates as submitted by Recology.



Technical Appendix A – Attachment R Regularly Scheduled Service

The following Attachment R rates are the proposed 2019 rates.

**Attachment R
Maximum Rate Schedule**

Effective January 1, 2019 to December 31, 2019

Monthly Rate

RESIDENTIAL CARTS				
	Cart Size (in Gallons)			
	20	32	64	96
1 Pickup Per Week	\$26.07	\$36.47	\$71.80	\$107.70
<p>Residential customers are billed based on their Garbage Cart size. The monthly rate above includes the following:</p> <ul style="list-style-type: none">One (1) Garbage Cart provided to customerCurbside Household Hazardous Waste CollectionOne (1) 64-Gallon Recycling Cart and (1) 96-Gallon Yard Waste Cart				

**Attachment R
Maximum Rate Schedule**

Effective January 1, 2019 to December 31, 2019

Monthly Rate

COMMERCIAL CARTS

		Cart Size (in Gallons)			
		20	32	64	96
# of Pickups Per Week	1	\$39.01	\$43.32	\$83.76	\$121.06
	2	80.24	89.17	169.00	247.96
	3	119.46	132.72	256.41	376.30
	4	164.02	182.24	344.78	509.01
	5	207.52	230.56	438.26	643.53
	6	259.65	288.49	534.06	810.07
	7	316.30	351.43	625.20	945.06

The monthly rate above includes the following:

One (1) Garbage Cart

Recycling Cart

COMMERCIAL CARTS ORGANICS

		Cart Size (in Gallons)		
		32	64	96
# of Pickups Per Week	1	\$30.33	\$58.65	\$84.74
	2	62.41	118.30	173.56
	3	92.90	179.48	263.41
	4	127.57	241.35	356.30
	5	161.40	306.79	450.47
	6	201.96	373.81	567.04
	7	246.02	437.64	661.55

Note: Organics containers are charged at seventy percent (70%) of the similar Garbage commercial cart rate above container size and service levels for Garbage, representing a thirty percent (30%) discount

└

**Attachment R
Maximum Rate Schedule**

Effective January 1, 2019 to December 31, 2019

Monthly Rate

COMMERCIAL BINS

		Bin Size (in Cubic Yards)				
		1	2	3	4	6
# of Pickups Per Week	1	\$203.13	\$408.60	\$616.23	\$841.21	\$1,293.73
	2	413.56	823.90	1,239.90	1,696.97	2,623.87
	3	627.59	1,243.13	1,867.22	2,552.73	3,944.12
	4	844.11	1,665.41	2,496.42	3,418.23	5,253.14
	5	1,062.38	2,093.64	3,127.79	4,287.39	6,580.81
	6	1,325.91	2,471.67	3,797.00	5,192.60	7,955.61
	7	1,564.41	2,927.27	4,470.87	6,116.76	9,317.89

The monthly rate above includes the following:

One (1) Garbage Bin

Recycling container at customer's requested size

COMMERCIAL BINS ORGANICS

		Bin Size (in Cubic Yards)				
		1	2	3	4	6
# of Pickups Per Week	1	\$142.20	\$286.03	\$431.36	\$588.85	\$905.61
	2	289.48	576.73	867.95	1,187.87	1,836.71
	3	439.30	870.19	1,307.06	1,786.91	2,760.87
	4	590.88	1,165.77	1,747.49	2,392.76	3,677.20
	5	743.67	1,465.53	2,189.44	3,001.16	4,606.57
	6	928.15	1,730.16	2,657.90	3,634.85	5,568.93
	7	1,095.09	2,049.09	3,129.61	4,281.73	6,522.52

Note: Organics containers are charged at seventy percent (70%) of the similar garbage container size above and service level for garbage, representing a thirty percent (30%) discount

Attachment R

Maximum Rate Schedule

Effective January 1, 2019 to December 31, 2019

Monthly Rate

GARBAGE COMPACTORS	
Commercial Waste 3 Yard Compactor	\$1,479.73
Solid Waste Compactor Rate Per Yard	\$113.85
The monthly fee above includes the following: Recycling container at customer's requested size	



Technical Appendix B – Attachment Q Unscheduled Services

The following table specifies Maximum Allowable Rates for Unscheduled Services. These Maximum Rates shall be adjusted annually in accordance with Article 11.

Attachment Q
Unscheduled Services

The following table specifies Maximum Allowable Rates for Unscheduled Services. These Maximum Rates shall be adjusted annually in accordance with Article 11.

Unscheduled Service Category	Reference	Cost	Description of Cost
Single-Family Dwelling Backyard Collection Service	Section 5.02.A	See Table Below	See Table Below
Distance Charge for MFD and Commercial Accounts More than 50 Feet From the Curb	Section 5.02.B and 5.02.C	A - 10% of Base monthly rate B - 25% of Base monthly Rate	A - 51 to 100 feet from Curbside B - 101 feet or more from Curbside
Extra Pick-up Cost for MFD and Commercial Customers	Section 5.02.B and 5.02.C	30% of base monthly Rate for the size of Container Collected once per week	Per Collection event
Single-Family Return Trip Cost (i.e. request to provide Collection service on other than the regularly scheduled Collection day)	Section 5.02.A	\$17.14	Per Collection event
Additional Targeted Recyclable Materials or Organic Materials Cart Rental	Sections 5.03.A and 5.04.A	A - \$1.13 B - \$3.42	A - Monthly rental fee for Targeted Recycling Cart (any size) B - Monthly rental fee for Organics/Yard Waste Cart (any size)
Additional E-Scrap Pickup Trip	Section 5.505.B4	Varies by number of items	\$28.57 for each trip (up to five items) \$11.42 per item for each additional item on the same trip \$97.12 per item for large console TV's

Attachment Q
Unscheduled Services (Continued)

Unscheduled Service Category	Reference	Cost	Description of Cost
Additional Confidential Document Destruction Service Event	Section 5.07	\$1,371.06	Per Event
Litter Abatement and Collection Service	Section 5.09B	\$77.70 per hour with an eight (8) hour minimum per service person (includes truck)	Per Event
Additional Compost Material Delivery	Section 5.11	A - \$142.81 B - \$285.64	A - one way delivery (compost left on site) B - two way delivery (Drop box left on site)
Fee for Service On-Call Bulky Item Collection Service	Section 5.12	\$93.18	Per Event
Additional Community Drop-Off Events	Section 5.13	\$23,308.09 Additional \$1.13 per household for post card announcement if requested by Agency	Per event targeting approximately 6,000 households. Does not include disposal.
Collection for Additional Agency-Sponsored and Non-Agency sponsored Large Events (other than the number of events specified in Attachment C)	Section 5.08	A - \$3,427.66 B - \$5,712.76 C - \$8,569.15	A - one-day events with a projected 2,500 or fewer attendees B - one (1) or two (2) day events less than 7,500 attendees per day, that does not qualify for Category A above C - one (1) or two (2) day events with a projected 7,501 to 10,000 attendees per day
Emergency Services	Section 7.08	\$142.81/hour	Cost includes refuse collection vehicle and driver

Attachment Q
Unscheduled Services (Continued)

Unscheduled Service Category	Reference	Cost	Description of Cost
Fee to Collect Contaminated Targeted Recyclable Materials or Organic Materials Container	Section 6.03.A and 8.02.F	25% of the base monthly Rate for the size of Container Collected once per week plus: \$17.14	Per Collection Event
Key Service	Section 8.02.B	A - \$9.71 B - \$10.85	Monthly cost: A - Residential Customers B - Commercial Customers
Lock purchase fee (replacement at no additional cost)	Section 8.02.B	\$19.43	One-time per Account cost.
Overage Fee (Unless Overage Bags purchased)	Section 8.02.G	100% of the base monthly Rate	Per Collection event
Overage Bags Cost (includes Collection)	Section 8.02.G	\$9.14	Per bag
Container Cleaning Fee	Section 8.05.D	A - \$57.13 B - \$97.12	A - per Cart B - per Bin or Drop-Box
Dirty Cart Replacement Cost	Section 8.05.D	A - \$74.28 B - \$85.70 C - \$97.12	A - per 32 gallon Cart B - per 64 gallon Cart C - per 96 gallon Cart

Attachment Q
Unscheduled Services (Continued)

Backyard Collection Service Distance Costs for Single Family Dwellings (Section 5.02.A)				
Distance from Curbside	One (1) Solid Waste Cart	Two (2) Solid Waste Carts	Three (3) Solid Waste Carts	Four (4) Solid Waste Carts
0 - 50 feet	\$20.56	\$32.81	\$65.63	\$98.44
51 - 100 feet	23.99	36.24	69.05	101.88
101 - 150 feet	27.41	39.67	72.47	105.30
151 - 200 feet	30.85	43.10	75.91	108.73
201 - 250 feet	34.27	46.52	79.35	112.16
251 - 300 feet	37.70	49.95	82.77	115.58
301 feet or more	41.14	53.37	86.20	119.01

DRAFT REPORT



City of Belmont
Review of the 2019 Solid Waste Rates
September 2018





September 17, 2018

Mr. Afshin Oskoui
Public Works Director
City of Belmont
One Twin Pines Lane Suite 385
Belmont, California

Subject: Review of the City of Belmont's 2019 Solid Waste Rates

Dear Mr. Oskoui:

HDR was retained by the City of Belmont (City) to provide professional and technical rate services as they relate to the City's solid waste utility. HDR's draft report provides a summary of HDR's findings, conclusions, and recommendations on this matter.

The City is a member of the South Bayside Waste Management Authority (SBWMA) and has a franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials, through December 31, 2020. Through the franchise agreement, the annual compensation for Recology's services is contractually determined. At the same time, the franchise agreement calls for the City to establish their own solid waste retail rates, but not at a level which exceeds the Contractor's "Maximum Rates for Regularly Scheduled Services". Recology has provided to the City their calculation of the maximum rates for regularly scheduled service and HDR has, within this report, provided a limited review and audit of those calculations. In addition, the City is currently renegotiating to extend the franchise agreement with Recology through 2035. A component of the 2019 maximum rates reflects negotiations and agreement to transition rates to 2021 levels as outlined in the tentative agreement.

The main objective of this report is to determine the maximum rates for the City's regularly scheduled and unscheduled solid waste services. This report and HDR's technical review was developed utilizing the City's and Recology's accounting, operating, and management records. HDR has relied upon this information to conduct our limited review, which provides the basis for our findings, conclusions and recommendations.

We appreciate the assistance provided by City staff in the development of this study. More importantly, we appreciate working with City of Belmont's staff, management, and City Council on this project.

Sincerely yours,
HDR Engineering, Inc.

Shawn Koorn
Associate Vice President

hdrinc.com

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Introduction

The City of Belmont (City) is a member of the South Bayside Waste Management Authority (SBWMA). In 2010, the City signed a franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials. Through the franchise agreement, the annual compensation for Recology's collection and recycling services is contractually determined. At the same time, the franchise agreement calls for the City to establish and adopt their own solid waste rates, but not at a level which exceeds the Contractor's "Maximum Rates for Regularly Scheduled or Unscheduled Services". Ultimately, Recology bills the City's customers for the solid waste services at the rates established by the City of Belmont City Council.

As a part of the overall rate setting process, Recology's data and information is reviewed by an outside party prior to its use within the calculation of the City's maximum rates. Once that data and information is confirmed, Recology calculates the "maximum rates for regularly scheduled and unscheduled services" and provides a copy of those calculations to the City for their review and acceptance. HDR has provided the review for rate years 2013 through 2018 and now has been requested by the City to provide a review of Recology's solid waste rate calculations for year 2019.

The franchise agreement between the parties, along with the related amendments to the original agreement, contains specific language and exhibits related to the development of the maximum rates for a given year for both regularly scheduled and unscheduled services. This study has reviewed the applicable portions of the franchise agreements and related amendments as they pertain to the 2019 rate year. From this basic understanding of the requirements for establishing the rates in the previous year, HDR reviewed Recology's submittal for the 2019 rate year. This study discusses the review undertaken by HDR for the 2019 rate year, along with our findings, conclusions, and recommendations.

The term of the Recology contract ends on December 31, 2020¹. The franchise agreement states that during calendar year 2017, "the Parties shall meet and confer on the possible extension of the term."² The City has been negotiating an extension of the franchise agreement with Recology through Rate Year 2035. As of August 2018, these negotiations are in the final stages of acceptance by the City Council and Recology. The formal acceptance of the tentative franchise agreement with Recology by the City Council is currently being finalized this month. This report does not discuss or include any of the negotiations between the City and Recology for the possible extension of the agreement. However, as part of the negotiations the 2019 maximum rates include a transition to 2021 rate levels.

¹ Article 3.02 of the City/Recology Franchise Agreement, p. 6.

² Article 3.03 of the City/Recology Franchise Agreement, p. 6.

Limitations of HDR's Review

HDR has provided a limited review of Recology's maximum rate calculations for the 2019 rate year. As noted above, the data and information used by Recology to calculate the City's maximum rates were independently reviewed by another outside firm. Given that outside review of Recology's data and information, HDR has assumed that the data and information input into Recology's rate calculations are reasonable and appropriate. HDR did cross-check and verify the inputs into Recology's model from the database of previously reviewed basic input data and information.

Within HDR's review, four key items were being reviewed and verified. These included:

- A review of Recology's methodology for compliance with our understanding of the required methodology specific for the 2019 rate year.
- A review of the data inputs and information used within the methodology to confirm use of the appropriate costs and adjustment factors which complies with the methodology for regularly scheduled services for the 2019 rate year.
- A review of the data inputs and methodology to confirm use of adjustment factors which complies with the methodology for unscheduled services for the 2019 rate year.
- Confirmation/verification of the calculations (formulas) within the methodology as they apply to the 2019 rate year.

Overview of the Franchise Agreement and Amendments

On June 15, 2010, the City of Belmont entered into a franchise agreement with Recology San Mateo County (Recology) to provide the Belmont community a comprehensive set of high quality waste collection, waste reduction, recycling and composting programs. In order to maximize the quality of services and waste-diversion potential, the City granted to Recology an exclusive right to provide these services within the City. In order to balance that exclusive right to provide these solid waste services against the costs/rates associated with that program, the parties needed to develop an approach or methodology that fairly compensated (and limited) the charges that Recology could charge the City's customers. To address this requirement, the franchise agreement contains specific language and a methodology, within Article 11 of the franchise agreement, for annually establishing the maximum rates for the up-coming calendar year for both regularly scheduled and unscheduled services.

The Franchise Agreement provides for an orderly process and approach to establish rates for the City and compensation for Recology. The review being undertaken by the City and HDR is a part of that orderly process, and the City is performing its due diligence to verify and confirm that the maximum rates calculated by Recology are in accordance with the franchise agreement and associated amendments.

The Franchise Agreement provides for an orderly process and approach to establish rates for the City and compensation for Recology.

Article 11, The Contractor's Compensation, Pass-Through Costs and Rates determines the annual compensation for Recology's collection and recycling services. This calculation of annual compensation sets the Contractor's "Maximum Rates for Regularly Scheduled Services" known

as Attachment R and “Unscheduled Services” known as Attachment Q. Attachment R is established in 11.02 of Article 11, Annual Adjustment of Maximum Rates for Schedule Services. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

Regularly Scheduled Service (Attachment R) - Review of Recology’s Calculated Maximum

On July 31, 2018, Recology provided to the City a letter and the detailed worksheet outlining their calculation of the rate index for rate period 2019. The City retained HDR Engineering, Inc. (HDR) to provide the same rate review for the proposed 2019 rates as they performed in 2013 through 2018. HDR was retained to confirm that the overall methodology is in conformance with the Franchise Agreement and Amendment 2. In addition, HDR also verified or confirmed that the proper data appeared to be used within the analysis, and that the mathematical calculations are correct. In providing this review, HDR attempted to independently calculate the rate index, and in those cases where appropriate, independently confirm certain data inputs (e.g., consumer price index (CPI)).

The major components of the costing methodology include the following:

- **Cost Indexing** – Article 11 of the franchise agreement provides the framework or methodology for the determination of the maximum rate for the upcoming year. In very simple terms, the agreement calls for Recology to annually take the existing maximum rate that is in effect and multiply each rate by an “adjustment percentage”. The adjustment percentage is essentially a cost index.

The updated calculation provided by Recology indicated the need for a maximum adjustment of a 3.07% increase from the 2018 regularly scheduled rates. For 2019, the rate index is essentially composed of only one element; the CPI cost adjustment which defines the total rate index adjustment:

CPI Cost Adjustment	3.07%
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Based upon HDR’s detailed review of Recology’s rate index calculation for 2019 rate year, HDR concluded that the rate index used the appropriate data and information for the time period and the calculations within the methodology were correct. As a result of our detailed review, HDR concluded that based upon the existing Franchise Agreement and associated Amendments, the City’s maximum solid waste rates (overall revenues) for 2019 should be increased by 3.07%. Provided below is a more detailed discussion of each of the elements of the calculation of the rate index and the basis for HDR’s summary conclusion. In developing the calculated maximum rates, Recology provided a schedule of the various solid waste rates. HDR reviewed the calculated maximum rates to confirm that they use the appropriate multiplier.

Residential Regularly Scheduled Solid Waste Rates

The present residential rate is a flat monthly rate per cart. Residential customers are offered different cart sizes (20, 32, 64, and 96 gallons) for service. In reviewing the current residential rates in comparison to the SBWMA study cost information, over the past several years, it has

shown that the 20-gallon cart has not been fully recovering the cost of service. The recent franchise agreement negotiations for the extension of the agreement from 2020 to 2035, have indicated that there is the need for an adjustment to overall rates to align the projected 2020 revenues with the projected 2020 expenses. The City quickly recognized the challenge of imposing a one-time adjustment and the need to help minimize the impacts of this change. At the November 2017 Study Session, the City and HDR discussed with the City Council potential options to minimize the rate impacts in 2020. It was determined that a transition of rates through cost of service adjustments to the 20-gallon cart over the next three year rate setting periods (2019 -2021). As outlined in the tentative franchise agreement there are specific adjustments for the 20-gallon level of service. These adjustments, by year, would be as follows:

- 2019 - \$3.00/month (Cumulative adjustment of \$3.00/month from current rate levels)
- 2020 - \$2.00/month (Cumulative adjustment of \$5.00/month from current rate levels)
- 2021 - \$3.00/month (Cumulative adjustment of \$8.00/month from current rate levels)

The above adjustments are in addition to any other rate adjustments (i.e., CPI increases) required for that rate year.

For the 2019 rates, it is recommended that the rates be equally adjusted across the board to all cart sizes using the overall rate index of 3.07%, with the 20-gallon cart including an additional \$3.00 rate stabilization fee.

Presented below in Table ES-1 are the present monthly residential rate and the proposed residential rates in 2019. The rates are designed to provide an overall 3.07% revenue adjustment compared to the present monthly residential rate.

Schedule	Schedule Description	Present Monthly Rate	Proposed 2019 Rates	CPI \$/Month Change	RSF \$/Month Change
R20G	Residential Waste - 20 Gallons ^[1]	\$22.38	\$26.07	\$0.69	\$3.00
R32G	Residential Waste - 32 Gallons	\$35.38	\$36.47	\$1.09	
R64G	Residential Waste - 64 Gallons	\$69.66	\$71.80	\$2.14	
R96G	Residential Waste - 96 Gallons	\$104.49	\$107.70	\$3.21	

[1] The 2019 proposed 20-gallon cart includes the 3.07% adjustment plus a \$3.00 rate stabilization fee (RSF).

Other Regularly Scheduled Solid Waste Rates

In addition to the above residential rates for regularly scheduled service, the City and Recology have a number of other rate schedules for regularly scheduled solid waste services. These include the following:

- Commercial Waste Carts (20 gallons to 96 gallons)
- Commercial Waste Bins (1 yard to 6 yards; 1 day to 7 days per week pickup)

- Commercial Organics (1 yard to 6 yards; 1 day to 7 days per week pickup)
- Commercial Organics Carts (20 gallons to 96 gallons; 1 day to 7 days per week pickup)
- Commercial Waste 3 Yard Compactor
- Solid Waste Compactor (per yard)

Each of these commercial rate schedules were increased by the overall 3.07% rate increase. A more detailed discussion of these other regularly scheduled services can be found in Section 4 of the report and also within the Technical Appendices as Attachment R rate schedules.

Unscheduled Service (Attachment Q) - Review of Recology's Calculated Maximum

In addition to the regularly scheduled rates, there are also rates for “unscheduled” services. The rates for unscheduled services are contained in Attachment Q of the Franchise Agreement and are annually updated in accordance with the Franchise Agreement. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

The Maximum Rate set forth in Attachment Q is adjusted annually by multiplying the then effective Maximum Rate by the Consumer Price Index (CPI) for the year immediately preceding the year of the calculation and dividing the result by the Consumer Price index for the year two years prior. For example the adjustment calculated in 2018 (for rates to be effective 2019), each Maximum Rate is multiplied by the CPI for 2017 and divided by the CPI for 2016. This resulted in an overall rate increase of 2.13% for Attachment Q rates effective in 2019 for the unscheduled services.

A more detailed discussion of these unscheduled services can be found in Section 4 of the report and also within the Technical Appendices as Attachment Q rate schedules.

Summary Conclusions and Recommendations

Based upon the limited review undertaken, it was the conclusion of HDR that the maximum rates, as calculated by Recology, were in conformance with the City's Franchise Agreement. In reaching this conclusion, HDR has relied upon the data and information as supplied by the City and Recology. Given that conclusion, HDR would recommend that the City revise the residential rates based on the proposed rates provided in Table ES-1 and for commercial customers adopt the maximum rates for scheduled services (Attachment R). For both residential and commercial customer groups, the implementation of these rates will result in an overall increase in solid waste revenues of 3.07%. In addition, a \$3.00/per month rate stabilization fee has been added to the residential 20-gallon cart size to bring the service to align the service to cost and to spread the anticipated 2020 rate adjustment over a three year period. Finally, the unscheduled services (Attachment Q) as calculated by Recology and as reviewed within this report should also be adopted for 2019 based on the 2.13% CPI increase.

Council Review

On September 25, 2018, HDR will present the proposed 2019 rates for both the scheduled services, Schedule R, and unscheduled services, Schedule Q.

Summary of the Review of Solid Waste Rates

This completes the review and analysis for the City's solid waste rates. A full and complete discussion of the review of Recology's solid waste rates can be found in following sections of this report.



1. Introduction and Overview of the Report

1.1 Introduction

The City of Belmont (City) is a member of the South Bayside Waste Management Authority (SBWMA). In 2010, the City signed a franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials. Through the franchise agreement, the annual compensation for Recology's collection and recycling services is contractually determined. At the same time, the franchise agreement calls for the City to establish and adopt their own solid waste rates, but not at a level which exceeds the Contractor's "Maximum Rates for Regularly Scheduled and Unscheduled Services". Ultimately, Recology bills the City's customers for the solid waste services at the rates established by the City of Belmont City Council.

The franchise agreement contract term with Recology is until midnight December 31, 2020. The City and Recology have been negotiating since 2017 to extend Recology's Franchise Agreement for a 15-year term through rate year 2035. As of August 2018, these negotiations are in the final stages of acceptance by the City Council and Recology. The formal acceptance of the tentative franchise agreement with Recology by the City Council is currently being finalized in the near future. The focus of this report is the development and review of the proposed 2019 solid waste rates and does not include any details of the negotiations between the parties.

As a part of the overall rate setting process, Recology's data and information is reviewed by an outside party prior to its use within the calculation of the City's maximum rates. Once that data and information is confirmed, Recology calculates the "maximum rates for regularly scheduled and unscheduled services" and provides a copy of those calculations to the City for their review and acceptance. HDR provided the review for rate years 2013 through 2018 and now has been requested by the City to provide a review of Recology's calculations for rate year 2019 as they pertain to the City's solid waste retail rates.

The franchise agreement between the parties, along with the related amendments to the original agreement, contains specific language and exhibits related to the development of the maximum rates for a given year. This study has reviewed the applicable portions of the franchise agreements and related amendments as they pertain to the 2019 rate year. In addition to this review, the recent contract negotiations has resulted in a rate stabilization fee adjustment to be included in the residential 20-gallon cart size for 2019, 2020, and 2021 based on recent SBWMA cost of service results. This has been included in the Attachment R schedules in addition to the CPI adjustments. From this foundational understanding of the requirements for establishing the rates in the previous year, HDR reviewed Recology's submittal to the City for the 2019 rate year. This study discusses the review undertaken by HDR for the 2019 rate year, along with our findings, conclusions and recommendations.

1.2 Limitations of HDR's Review

It is important to understand that HDR has provided a limited review of Recology's maximum rate calculations for the 2019 rate year. As noted above, the data and information used by Recology to calculate the City's maximum rates were reviewed by another outside firm. HDR did not provide a review of this basic input data as a part of this study. Therefore, HDR has assumed that the data and information input into Recology's rate calculations are reasonable and appropriate. Having said that, HDR did a limited cross-check to verify the inputs into Recology's model, from the database of previously reviewed basic input data and information.

Within HDR's review, the three key items reviewed were the overall methodology, compliance to the agreed upon methodology, and verification of the data inputs. First, the overall methodology is generally well-laid out within the franchise agreement and related amendments. Given that, HDR reviewed Recology's methodology for compliance with our understanding of the required methodology for the 2019 rate year. At the same time, HDR also reviewed the data inputs and information used within the methodology as applied to the 2019 rate year. While the data and information was previously reviewed, the selection and use of the appropriate costs and adjustment factors must comply with the methodology. Finally, HDR confirmed/verified the calculations (formulas) used within the methodology as applied to the 2019 rate year were accurate. As a part of HDR's review, these three aspects of Recology's rate filing were reviewed and verified.

1.3 Organization of the Report

This report is organized in a manner that reflects the general approach used by HDR to review Recology's maximum rates for scheduled and unscheduled services. The next section of this report provides a brief overview of the relevant portions of the franchise agreement and the amendments. Section 3 then provides a discussion and overview of the technical review undertaken by HDR of the Recology rate calculations. From that review, HDR was then able to review and verify the proposed maximum rates for scheduled and unscheduled services. The proposed maximum rates are discussed and shown in Section 4. Finally, Section 5 provides a summary of HDR's findings, conclusions and recommendations from this study.



2. Overview of the Franchise Agreement and Amendments

2.1 Introduction

An important starting point for reviewing the City’s solid waste rates is to gain an understanding of the existing franchise agreements and the two amendments to that agreement. This section of the report is intended to provide a brief overview of the relevant portions of the franchise agreement; amendments and the settlement agreement to help the reader better understand the basis for this review of the rates.

The review and discussion contained herein is not intended to be comprehensive in nature, nor provide any legal interpretation or opinion regarding the relevant portions of this agreement as it relates to this study.

2.2 Overview of the Franchise Agreement and Amendments

The City of Belmont (City) is a member of the South Bayside Waste Management Authority (SBWMA). A franchise agreement with Recology of San Mateo County (Recology) for solid waste collection services, including the collection of recycling and organic materials was signed in 2010. Through the franchise agreement, the annual compensation for Recology’s collection and recycling services is contractually determined. The franchise agreement calls for the City to establish and adopt their own solid waste rates, but not at a level which exceeds the Contractor’s “Maximum Rates for Regularly Scheduled Services” known as Attachment R and “Maximum Rates for Unscheduled Services”, known as Attachment Q. The franchise agreement between the parties, along with the related amendments to the original agreement, contains specific language and exhibits related to the development of the maximum rates for a given year for both Attachment R and Q.

The Franchise Agreement provides for an orderly process and approach to establish rates for the City and compensation for Recology. The review being undertaken by the City and HDR is a part of that orderly process, and the City is performing its due diligence to verify and confirm that the maximum rates calculated by Recology are in accordance with the franchise agreement for the 2019 rate year.

... and the City is performing its due diligence to verify and confirm that the maximum rates calculated by Recology are in accordance with the franchise agreement for the 2019 rate year.

Article 11, The Contractor’s Compensation, Pass-Through Costs and Rates determines the annual compensation for Recology’s collection and recycling services. This calculation of annual compensation sets the Contractor’s “Maximum Rates for Regularly Scheduled Services” known as Attachment R and “Unscheduled Services” known as Attachment Q. Attachment R is established in 11.02 of Article 11, Annual Adjustment of Maximum Rates for Schedule Services. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

2.3 Regularly Scheduled Service (Attachment R)

Article 11 of the Franchise Agreement provides the framework or methodology for the determination of the maximum rate for the upcoming year. In very simple terms, the agreement calls for Recology to annually take the existing maximum rate that is in effect and multiply each rate by an “adjustment percentage”. The adjustment percentage is essentially a cost index. More specifically, the franchise agreement notes the following:

“ . . . the Adjustment Percentage used to calculate the Maximum Rates that will be effective in Calendar Year 2013 shall be calculated during 2012 by dividing the Cost Index for 2012 (calculated during 2012) by the Cost Index for 2011 (calculated during 2011).”³

The franchise agreement provides the cost index for the various components. The cost index is stated in total dollars. For example, the total cost index for 2018 was \$7,033,107. Going forward, for each year the cost index is calculated by adding together the various component costs which are composed of the following cost elements:

- Wage Component
- Fuel Component
- General Expense Component
- Disposal Costs Component
- Performance-Based Component, and
- Agency Payments Components

For each cost component, the franchise agreement provides a detailed discussion around the component and its adjustment over time.

2.4 Unscheduled Service (Attachment Q)

The rates for unscheduled services are contained in Attachment Q of the Franchise Agreement and are annually updated in accordance with the Franchise Agreement. Attachment Q is established in 11.03 of Article 11, Annual Adjustment of Maximum Rates for Unscheduled Services.

The Maximum Rate set forth in Attachment Q is adjusted annually by multiplying the then effective Maximum Rate by the Consumer Price Index (CPI) for the year immediately preceding the year of the calculation and dividing the result by the Consumer Price index for the year two years prior. For example the adjustment calculated in 2018 (for rates to be effective 2019), each Maximum Rate is multiplied by the CPI for 2017 and divided by the CPI for 2016. This resulted in an overall rate increase of 2.13% for effective rates in 2019 for the unscheduled services.

³ Franchise Agreement, Section 11.02(B), Annual Adjustment of Maximum Rates for Scheduled Services, p. 89-90.

2.5 Summary

This section of the report has provided a brief overview of the relevant portions of the franchise agreement and amendments with Recology. While this overview of the agreement and amendments has been necessarily abbreviated, it does provide a good understanding of the basic framework or methodology used to previously calculate the maximum rate for regularly scheduled service, along with this current time period.



3. Review of Recology’s Calculated “Maximum Rates for Regularly Scheduled Services”

3.1 Introduction

As a part of the Franchise Agreement, Recology calculates the maximum rates for the up-coming calendar year. The calculated maximum rates are formula driven, and as noted in the prior section of the report, there is relatively clear language and numeric examples of the rate indexing process. The purpose of this section of the report is to provide an overview of Recology’s rate filing to the City for the 2019 rate year, along with HDR’s technical review of that filing.

3.2 Overview of Recology’s 2019 Rate Index Calculation

On July 31, 2018, Recology provided to the City a letter and the detailed worksheet outlining their calculation of the rate index. The letter, dated July 31, 2018, indicated a maximum increase adjustment of 3.07%. HDR reviewed that revised calculation and determined based upon the information provided that it appears to be in agreement with the Franchise Agreement. Provided below in Table 3-1 is an overview of Recology’s rate index calculation. In summary form, this calculation indicates an increase of 3.07% to the 2018 regularly scheduled rates.

Table 3 – 1
Overview of Recology's Rate Index Calculation

Cost Component	Cost Component Dollars (\$)	2009 CPI Index	2018 CPI Index	2018 Cost Index	2017 Cost Index
Wage Component	\$1,380,122	110.9	131.2	\$1,632,750	\$1,590,438
Fuel Component	211,727	3.45	2.38	171,836	146,061
General Expense Component	1,528,563	214.537	245.120	1,724,675	1,691,888
Agency Components				1,828,608	1,774,061
Disposal Cost Component (i)				1,695,411	1,570,386
Disposal Cost Component (ii)				1,546,938	1,424,130
Disposal Cost Component (iii)				-1,570,386	-1,378,765
Performance Based Component					
- Incentives				6,848	7,917
- Disincentives				-3,573	-2,805
Total				\$7,033,107	\$6,823,311
			Cost Index 2018 -	\$7,033,107	
			Annual Increase Divided by Cost Index 2017 -	\$6,823,311	
			Annual Percentage Equals -	3.07%	
			Maximum Rates to be Multiplied by:	3.07%	

- (i) The Contractor's projected costs for April 1 of that calendar year through March 31 of the following year plus
- (ii) The Contractors' actual costs April 1 of the year prior through March 31 of the calendar year minus
- (iii) The contractor's previous projection.

In a more simplified or summarized manner, the rate index for 2019 of an increase of 3.07% is composed of one element, the CPI cost adjustment as follows:

CPI Cost Adjustment 3.07%

As noted above, the City retained HDR to review the Recology calculations (Table 3-1) to confirm that the proper data appeared to be used within the analysis, and that the mathematical calculations were correct for the 2019 rate year. While Table 3-1 appears rather simple and straight-forward, the calculations are, in some cases, much more complex with other detailed worksheets behind them.

Provided below is a more detailed discussion of the analytical steps taken to review the Recology calculations and the results of our review.

3.3 Overview of General Approach Used to Review Calculations

As noted in Section 2, an important starting point for reviewing the rate index calculation is understanding the Franchise Agreement and Amendment 2. HDR reviewed the documents, then independently reviewed the rate index calculation. HDR developed spreadsheets to review and

attempt to duplicate the Recology calculations for 2019. In this way, HDR could review the data sources used and verify their appropriateness, while at the same time, verifying the formulas used within the calculations.

3.4 Summary Conclusions of HDR’s Review of the Rate Index Calculations

Based upon HDR’s detailed review of Recology’s rate index calculation, HDR concluded that the rate index used the appropriate data and information for the time period and the calculations within the methodology were correct. As a result of our independent review HDR concluded that based upon the existing Franchise Agreement and Amendments, the maximum rates should be calculated based on the increase in rates of 3.07%. Provided below is a more detailed discussion of each of the elements of the calculation of the rate index and the basis for HDR’s summary conclusion.

“ . . . HDR concluded that based upon the existing Franchise Agreement and Amendments, the maximum rates should be calculated based on the increase in rates of 3.07%.”

3.5 HDR’s Detailed Review of the Rate Index Calculations

As previously discussed, the focus of HDR’s review was on the calculations used to establish the rate index for the “Maximum Rates for Regularly Scheduled Services”. Article 11 of the Franchise Agreement and Amendment No. 2 form the basis for the calculations. As shown in Table 3-1, there is only one calculation component to the rate index calculation, the CPI Cost Adjustment Percentage.

3.5.1 CPI Cost (Index) Adjustment

The rate setting process based on Article 11 and the Amendments is a rolling forward index. For example the Maximum Rate for 2019 would be calculated in 2018 by reviewing the 2018 and 2009 cost indices. Therefore, as a part of HDR’s review process, both 2018 and 2019 rate setting calculations were reviewed.

In simplified terms, general operating costs are adjusted annually by the use of a cost index. The CPI Cost Index is segregated into seven different cost components. They are as follows:

- **Wages** - The wages for base year 2009 is multiplied by the difference between the 2009 base year Employment Cost Index and the current year Employment Cost Index published for the 4th quarter of the year immediately preceding the Calendar Year of the Cost index. In very simplified terms, the agreement uses the wages at the start of the agreement and then simply adjusts wages by a CPI amount.
- **Fuel** – The fuel for base year 2009 is multiplied by the difference between the 2009 average price per gallon and the average price per gallon of fuel for the twelve month period ending March 31 of the Calendar Year.
- **General Expense** – The general expense base for 2009 is multiplied by the difference between the base year Consumer Price Index and the current year Consumer Price Index.

- **Disposal Costs** – (i) The Contractor’s projected costs for April 1 of that calendar year through March 31 of the following year plus (ii) the Contractors’ actual costs April 1 of the year prior through March 31 of the calendar year minus (iii) the contractor’s previous projection.
- **Performance-Based** – Is the sum of incentives and disincentives the year immediately preceding the Calendar Year of the Cost Index. The determination of incentives and disincentives is independently determined by another outside party.
- **Agency Payment** – The anticipated amount of total Agency payments as detailed in Article 10 divided by (1 – 0.26) then multiplying the result by 0.26.

For each of the above components, HDR reviewed the source data and information used within Recology’s calculations. As a part of Recology’s packet of information, the source data used by Recology was attached as an amendment. While much of the cost data and information had previously been audited by another outside independent consultant, in those cases where other key assumptions to the analysis were needed (e.g., CPI index), HDR independently reviewed them.

Based on the changes from the 2018 cost index to the 2017 cost index the costs increased by \$209,797 or 3.07% overall ($\$7,033,107 - \$6,823,311 = \$209,797$ or $\$209,797/\$6,823,311 = 3.07\%$). The majority of the components are based on specific cost indexes and/or formulas as explained previously. Disposal costs are based on projections and actuals and are made of three components the (i) Contractor’s projected costs, (ii) the Contractors’ actual costs of the year prior, and the (iii) Contractor’s previous projection. The projected disposal costs increased by \$125,025 or 7.96%. The actual disposal costs increased by \$122,808 or 8.62%. The Contractor’s previous projection decreased by \$191,621 or 13.90%. The total disposal cost overall increased by only \$56,212 or 3.48%. Provided below in Table 3-2 is a summary of the changes in cost index compared from 2017 to 2018.

Table 3 – 2
Summary of Changes in Cost Index from 2017 to 2018

Cost Component	2017 Cost Index	2018 Cost Index	\$ Difference	% Difference
Wage Component	\$1,590,438	\$1,632,750	\$42,312	2.66%
Fuel Component	146,061	171,836	25,775	17.5%
General Expense Component	1,691,888	1,724,675	32,787	1.94%
Agency Components	1,774,061	1,828,608	54,547	3.07%
Disposal Costs				
Component (i) Projected	\$1,570,386	\$1,695,411	\$125,025	7.96%
Component (ii) Actual	1,424,130	1,546,938	122,808	8.62%
Component (iii) Reversal	<u>(1,378,765)</u>	<u>(1,570,386)</u>	<u>(191,621)</u>	<u>13.90%</u>
Total Disposal Costs	\$1,615,751	\$1,671,963	\$56,212	3.48%
Performance Based Component				
- Incentives	7,917	6,848	(1,069)	(13.50%)
- Disincentives	<u>(2,805)</u>	<u>(3,573)</u>	<u>(768)</u>	<u>.38%</u>
Total	\$6,823,311	\$7,033,107	\$209,797	3.07%

In summary form, HDR independently confirmed the calculation of the CPI cost adjustment increase of 3.07%. In providing this independent confirmation, HDR did note the Consumer Price Index publishes by month, annual, and bi-annually. By definition within the agreement, the annual CPI is to be used.

3.6 Conclusions Regarding the Calculation of the Rate Index

Based upon the review of the Recology rate calculation, HDR concluded that the calculation as provided by Recology appears appropriate and in keeping with the original Franchise Agreement and Amendment No. 2. In reaching this conclusion, HDR reviewed and verified the data inputs into the calculation, while also confirming the overall methodology and calculations. Based upon our conclusions, the calculated Maximum Rate Index for 2019 is an increase of 3.07% in overall rates.



4. Review of the Proposed 2019 Solid Waste Rates

4.1 Introduction

In the previous section of this report, the rate indexing for the City's 2019 solid waste rates was reviewed. This analysis provides the basis for determining the City's maximum rates. This section of the report will review the maximum solid waste rates for Regularly Scheduled Services (Attachment R) and Unscheduled Services (Attachment Q).

4.2 Review of Rate Index Multiplier

From the review of the rate index multiplier, it was concluded that the analysis developed by Recology appears to comply with the City's franchise agreement. The overall adjustment to revenues derived from rates for 2019 is a 3.07% increase in the existing rates. In developing the calculated maximum rates, Recology provided a schedule of the rates. HDR reviewed the calculated maximum rates to confirm that they use the appropriate multiplier. Presented below is a discussion of the present solid waste rates and the proposed 2019 rates for residential and commercial customers.

4.3 Residential Regularly Scheduled Services

The present residential rate structure is a flat monthly rate per cart. Residential customers are offered different cart sizes (20, 32, 64 and 96 gallons) for service. In reviewing the current residential rates in comparison to the SBWMA study cost information, over the past several years, it has shown that the 20-gallon cart has not been fully recovering the cost of service. The recent Franchise negotiations have indicated that there is the need for an adjustment to overall rates to align the projected 2020 revenues with the projected 2020 expenses. The City quickly recognized the challenge of imposing a one-time adjustment and the need to help minimize the impacts of this change. At the November 2017 Study Session, the City and HDR discussed with the City Council potential options to minimize the rate impact in 2020. It was determined that a transition of rates through cost of service adjustments to the 20-gallon cart over the next three rate setting periods (2019 - 2021). As outlined in the tentative franchise agreement there are specific adjustments for the 20-gallon level of service. These adjustments, by year, would be as follows:

- 2019 - \$3.00/month (Cumulative adjustment of \$3.00/month from current rate levels)
- 2020 - \$2.00/month (Cumulative adjustment of \$5.00/month from current rate levels)
- 2021 - \$3.00/month (Cumulative adjustment of \$8.00/month from current rate levels)

The above adjustments are in addition to any other rate adjustments (i.e., CPI increases) required for that rate year. As a point of reference, approximately 1,925 accounts, or approximately 28% of the total residential accounts are the 20-gallon cart size. In terms of revenue impacts the proposed cost of service adjustments to the 20-gallon cart size will generate additional revenue in each year of approximately:

2019	\$69,300
2020	115,500
2021	<u>184,512</u>
3-Year Total	\$369,024

For the 2019 rates, it is recommended that the rates be equally adjusted across the board to all cart sizes using the overall rate index of 3.07%, with the 20-gallon cart including an additional \$3.00 rate stabilization fee.

Presented in Table 4-1 are the current monthly residential rate and the proposed residential rates for 2019. The adjustments for residential customer's rates are designed to provide an overall 3.07% revenue increase compared to the present monthly residential rate plus a \$3.00 rate stabilization fee for the 20-gallon cart size.

Table 4 – 1 Summary of the Present and Calculated Maximum Residential Solid Waste Rates (Regularly Scheduled - \$/Month)					
Schedule	Schedule Description	Current Monthly Rate	CPI \$/Month Change	RSF \$/Month Change ^[1]	Calculated Maximum 2019 Rate
R20G	Residential Waste - 20 Gallons	\$22.38	\$0.69	\$3.00	\$26.07
R32G	Residential Waste - 32 Gallons	\$35.38	\$1.09		\$36.47
R64G	Residential Waste - 64 Gallons	\$69.66	\$2.14		\$71.80
R96G	Residential Waste - 96 Gallons	\$104.49	\$3.21		\$107.70

[1] The 2019 proposed 20-gallon cart includes the 3.07% adjustment plus a \$3.00 rate stabilization fee.

4.4 Commercial Waste Carts Regularly Scheduled Service

Some commercial waste customers have similar service to the residential customers in that they have cart sizes that range from 20 gallons to 96 gallons. However, the difference between the residential and commercial service is the number of pick-ups per week. A commercial customer can choose their level of service (number of pick-ups per week). Presented in Table 4-2 is a summary of the current commercial rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 4 – 2
Summary of the Present and Calculated Maximum Commercial Solid Waste Rates
(By Gallon Cart Size; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C20G	Commercial Waste - 20 Gallon							
	Present 2018 Monthly Rate	\$37.85	\$77.85	\$115.90	\$159.13	\$201.34	\$251.92	\$306.88
	Calculated Maximum 2019 Rate	\$39.01	\$80.24	\$119.46	\$164.02	\$207.52	\$259.65	\$316.30
	\$/Month Change	\$1.16	\$2.39	\$3.56	\$4.89	\$6.18	\$7.73	\$9.42
C32G	Commercial Waste - 32 Gallon							
	Present 2018 Monthly Rate	\$42.03	\$86.51	\$128.77	\$176.81	\$223.69	\$279.90	\$340.96
	Calculated Maximum 2019 Rate	\$43.32	\$89.17	\$132.72	\$182.24	\$230.56	\$288.49	\$351.43
	\$/Month Change	\$1.29	\$2.66	\$3.95	\$5.43	\$6.87	\$8.59	\$10.47
C64G	Commercial Waste - 64 Gallon							
	Present 2018 Monthly Rate	\$81.27	\$163.97	\$248.77	\$334.51	\$425.21	\$518.15	\$606.58
	Calculated Maximum 2019 Rate	\$83.76	\$169.00	\$256.41	\$344.78	\$438.26	\$534.06	\$625.20
	\$/Month Change	\$2.49	\$5.03	\$7.64	\$10.27	\$13.05	\$15.91	\$18.62
C96G	Commercial Waste - 96 Gallon							
	Present 2018 Monthly Rate	\$117.45	\$240.57	\$365.09	\$493.85	\$624.36	\$785.94	\$916.91
	Calculated Maximum 2019 Rate	\$121.06	\$247.96	\$376.30	\$509.01	\$643.53	\$810.07	\$945.06
	\$/Month Change	\$3.61	\$7.39	\$11.21	\$15.16	\$19.17	\$24.13	\$28.15

As can be seen, the rates have maintained the existing structure for commercial waste customers with carts.

4.5 Commercial Waste Bins Regularly Scheduled Service

Some commercial customers have larger bins which range in size from 1 yard to 6 yards. Commercial waste customers also have the option of different levels of service and can select the number of pick-ups per week. Presented in Table 4-3 is a summary of the current commercial waste bin rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 4 – 3
Summary of the Present and Calculated Maximum Commercial Solid Waste Rates
(By Bin Size in Yards; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C1YG	Commercial Waste - 1 Yard							
	Present 2018 Monthly Rate	\$197.08	\$401.24	\$608.90	\$818.97	\$1,030.74	\$1,286.42	\$1,517.81
	Calculated Maximum 2019 Rate	\$203.13	\$413.56	\$627.59	\$844.11	\$1,062.38	\$1,325.91	\$1,564.41
	\$/Month Change	\$6.05	\$12.32	\$18.69	\$25.14	\$31.64	\$39.49	\$46.60
C2YG	Commercial Waste - 2 Yard							
	Present 2018 Monthly Rate	\$396.43	\$799.36	\$1,206.10	\$1,615.80	\$2,031.28	\$2,398.05	\$2,840.08
	Calculated Maximum 2019 Rate	\$408.60	\$823.90	\$1,243.13	\$1,665.41	\$2,093.64	\$2,471.67	\$2,927.27
	\$/Month Change	\$12.17	\$24.54	\$37.03	\$49.61	\$62.36	\$73.62	\$87.19
C2YG1	Commercial Waste - 2 Yard							
	Present 2018 Monthly Rate	\$396.43	\$799.36	\$1,206.10	\$1,615.80	\$2,031.28	\$2,398.05	\$2,840.08
	Calculated Maximum 2019 Rate	\$408.60	\$823.90	\$1,243.13	\$1,665.41	\$2,093.64	\$2,471.67	\$2,927.27
	\$/Month Change	\$12.17	\$24.54	\$37.03	\$49.61	\$62.36	\$73.62	\$87.19
C3YG	Commercial Waste - 3 Yard							
	Present 2018 Monthly Rate	\$597.88	\$1,202.97	\$1,811.60	\$2,422.06	\$3,034.63	\$3,683.90	\$4,337.70
	Calculated Maximum 2019 Rate	\$616.23	\$1,239.90	\$1,867.22	\$2,496.42	\$3,127.79	\$3,797.00	\$4,470.87
	\$/Month Change	\$18.35	\$36.93	\$55.62	\$74.36	\$93.16	\$113.10	\$133.17
C4YG	Commercial Waste - 4 Yard							
	Present 2018 Monthly Rate	\$816.15	\$1,646.42	\$2,476.70	\$3,316.42	\$4,159.69	\$5,037.94	\$5,934.57
	Calculated Maximum 2019 Rate	\$841.21	\$1,696.97	\$2,552.73	\$3,418.23	\$4,287.39	\$5,192.60	\$6,116.76
	\$/Month Change	\$25.06	\$50.55	\$76.03	\$101.81	\$127.70	\$154.66	\$182.19
C6YG	Commercial Waste - 6 Yard							
	Present 2018 Monthly Rate	\$1,255.20	\$2,545.72	\$3,826.64	\$5,096.67	\$6,384.80	\$7,718.65	\$9,040.35
	Calculated Maximum 2019 Rate	\$1,293.73	\$2,623.87	\$3,944.12	\$5,253.14	\$6,580.81	\$7,955.61	\$9,317.89
	\$/Month Change	\$38.53	\$78.15	\$117.48	\$156.47	\$196.01	\$236.96	\$277.54

The commercial waste rates for customers with bins have maintained the existing rate structure and rate relationships.

4.6 Commercial Organics Bins Regularly Scheduled Service

The rate charged for commercial organics is tied to the commercial waste rate. Commercial organics rates are charged at 70% of the commercial waste rate, for a comparable size bin. Similar to the commercial waste bin customers, commercial organics customers have bins which range in size from 1 yard to 6 yards. Similar to the commercial waste customer, the commercial organics customers also have the option of different levels of service and can select the number of pick-ups per week. Presented in Table 4-4 is a summary of the current commercial organics bin rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some rounding of the rates may occur for purposes of ease of administration.

Table 4 –4
Summary of the Present and Calculated Maximum Commercial Organics
Solid Waste Rates (By Bin Size in Yards; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C1YO	Commercial Organics - 1 Yard							
	Present 2018 Monthly Rate	\$137.96	\$280.86	\$426.22	\$573.28	\$721.52	\$900.50	\$1,062.47
	Calculated Maximum 2019 Rate	\$142.20	\$289.48	\$439.30	\$590.88	\$743.67	\$928.15	\$1,095.09
	\$/Month Change	\$4.24	\$8.62	\$13.08	\$17.60	\$22.15	\$27.65	\$32.62
C2YO	Commercial Organics - 2 Yard							
	Present 2018 Monthly Rate	\$277.51	\$559.55	\$844.27	\$1,131.05	\$1,421.88	\$1,678.63	\$1,988.06
	Calculated Maximum 2019 Rate	\$286.03	\$576.73	\$870.19	\$1,165.77	\$1,465.53	\$1,730.16	\$2,049.09
	\$/Month Change	\$8.52	\$17.18	\$25.92	\$34.72	\$43.65	\$51.53	\$61.03
C3YO	Commercial Organics - 3 Yard							
	Present 2018 Monthly Rate	\$418.51	\$842.10	\$1,268.13	\$1,695.44	\$2,124.23	\$2,578.73	\$3,036.39
	Calculated Maximum 2019 Rate	\$431.36	\$867.95	\$1,307.06	\$1,747.49	\$2,189.44	\$2,657.90	\$3,129.61
	\$/Month Change	\$12.85	\$25.85	\$38.93	\$52.05	\$65.21	\$79.17	\$93.22
C4YO	Commercial Organics - 4 Yard							
	Present 2018 Monthly Rate	\$571.31	\$1,152.49	\$1,733.69	\$2,321.49	\$2,911.77	\$3,526.58	\$4,154.20
	Calculated Maximum 2019 Rate	\$588.85	\$1,187.87	\$1,786.91	\$2,392.76	\$3,001.16	\$3,634.85	\$4,281.73
	\$/Month Change	\$17.54	\$35.38	\$53.22	\$71.27	\$89.39	\$108.27	\$127.53
C6YO	Commercial Organics - 6 Yard							
	Present 2018 Monthly Rate	\$878.64	\$1,782.00	\$2,678.64	\$3,567.67	\$4,469.36	\$5,403.06	\$6,328.24
	Calculated Maximum 2019 Rate	\$905.61	\$1,836.71	\$2,760.87	\$3,677.20	\$4,606.57	\$5,568.93	\$6,522.52
	\$/Month Change	\$26.97	\$54.71	\$82.23	\$109.53	\$137.21	\$165.87	\$194.28

4.7 Commercial Organics Carts Regularly Scheduled Service

Commercial customers can also have the smaller gallon-sized carts for organic waste. Presented in Table 4-5 is a summary of the current commercial organics cart rates and the calculated maximum rate for 2019. The maximum calculated rate assumes a 3.07% increase from the present rates. Some minor rounding of the rates may occur for purposes of ease of administration.

Table 4 – 5
Summary of the Present and Calculated Maximum Commercial Organics
Solid Waste Rates (By Gallon Cart Size; Regularly Scheduled - \$/Month)

Schedule	Schedule Description	Collection - Times Per Week						
		1	2	3	4	5	6	7
C320	Commercial Organics - 32 Gallon							
	Present 2018 Monthly Rate	\$29.43	\$60.55	\$90.13	\$123.77	\$156.59	\$195.94	\$238.69
	Calculated Maximum 2019 Rate	\$30.33	\$62.41	\$92.90	\$127.57	\$161.40	\$201.96	\$246.02
	\$/Month Change	\$0.90	\$1.86	\$2.77	\$3.80	\$4.81	\$6.02	\$7.33
C640	Commercial Organics - 64 Gallon							
	Present 2018 Monthly Rate	\$56.90	\$114.78	\$174.13	\$234.16	\$297.65	\$362.68	\$424.60
	Calculated Maximum 2019 Rate	\$58.65	\$118.30	\$179.48	\$241.35	\$306.79	\$373.81	\$437.64
	\$/Month Change	\$1.75	\$3.52	\$5.35	\$7.19	\$9.14	\$11.13	\$13.04
C960	Commercial Organics - 96 Gallon							
	Present 2018 Monthly Rate	\$82.22	\$168.39	\$255.56	\$345.69	\$437.05	\$550.15	\$641.85
	Calculated Maximum 2019 Rate	\$84.74	\$173.56	\$263.41	\$356.30	\$450.47	\$567.04	\$661.55
	\$/Month Change	\$2.52	\$5.17	\$7.85	\$10.61	\$13.42	\$16.89	\$19.70

The commercial organics cart rates have maintained the existing rate structure and rate relationships.

4.8 Other Miscellaneous Solid Waste Rates

The solid waste rates also include other solid waste rates for multi-family customers. These rates are shown below in Table 4-6

Table 4 – 6
Summary of the Present and Calculated Maximum Other Miscellaneous
Solid Waste Rates (Regularly Scheduled - \$/Month)

Schedule	Schedule Description	
C3CG	Commercial Waste 3 Yard Compactor	
	Present 2018 Monthly Rate	\$1,435.66
	Calculated Maximum 2019 Rate	\$1,479.73
	\$/Month Change	\$44.07
	Solid Waste Compactor Rate Per Yard	
	Present 2018 Monthly Rate	\$110.46
	Calculated Maximum 2019 Rate	\$113.85
	\$/Month Change	\$3.39

4.9 Unscheduled Services (Attachment Q)

Recology also provides a number of services that are not considered “regularly scheduled” services and these particular services are not included as a part of the Attachment R rates discussed above. The rate for unscheduled services is contained in Attachment Q of the Franchise Agreement and is annually updated in accordance with the Franchise Agreement.

The Maximum Rate set forth in Attachment Q is adjusted annually by multiplying the then effective Maximum Rate by the Consumer Price Index (CPI) for the year immediately preceding the year of the calculation and dividing the result by the Consumer Price Index for the year two years prior. For example the adjustment calculated in 2018 (for rates to be effective 2019), each Maximum Rate is multiplied by the CPI for 2017 and divided by the CPI for 2016. This resulted in an overall rate increase of 2.13% for Attachment Q rates effective in 2019 for the unscheduled services. Attached as a part of the technical appendices are the proposed Attachment Q rates for unscheduled services.

4.10 Summary

This section of the report has reviewed the present solid waste rates and the 2019 calculated maximum rates. Detailed exhibits of the Attachment R and Attachment Q rates can be found in Technical Appendix A and B, respectively.

5. Summary of Solid Waste Rate Findings, Conclusions and Recommendations

5.1 Introduction

This report has reviewed the calculated Maximum Rate as developed by Recology. HDR used a systematic process to review the calculation of the rate index, along with the resulting maximum rates for regularly scheduled service.

5.2 Summary Findings, Conclusions and Recommendations

HDR reviewed the Recology rate calculation and concluded that the rate index and resulting maximum solid waste rates for 2019 were calculated in a manner which reflected the intent of the Franchise Agreement and Amendment 2 including the additional rate stabilization fee (RSF) for the residential 20-gallon cart size.

On September 25, 2018, HDR will present the proposed 2019 rates for both the scheduled services, Schedule R and unscheduled services, Schedule Q to the City Council.

5.3 Looking Ahead – Future Rate Adjustment to 2020

At the November 2017 Study Session, the Council reviewed alternative options or approaches to adjust the City's rates to cost-based levels by 2021. The policy direction provided by City Council at the November 2017 Study Session was to establish a Rate Stabilization Fund (RSF) in order to spread the expected rate adjustment for 2021 over more than a single year (i.e., multiple years). The RSF will be funded in part by proceeds from a special fee (the "RSF Fee") which will be included in the maximum rates. The RSF Fee is an Agency imposed fee. That is, it shall be treated as an Agency Payment (pass-through cost) for purposes of determining the Total Contractors (i.e., Recology's) compensation for 2019, 2020 and 2021. Recology will retain the proceeds from the fee and credit them to the City's RSF account. The balance of funds within the RSF will be applied as directed by the City to reduce the Maximum Rate increases that would otherwise occur in 2021. Any unused RSF balance in 2021 will be carried forward in 2022 and used to offset the rate adjustments at that time.

The Rate Stabilization Fund will be funded, in part, by the imposition of the RSF Fee. The RSF fee will be applied in 2020 to all regularly scheduled services (i.e., all residential and commercial rates) and shall be equal to 1.25% of Gross Revenue billed on all regular services, including the single-family 20-gallon cart size. The RSF Fee will fund a portion of the RSF. The other portion of RSF funding will be derived from the cumulative 2019, 2020 and 2021 cost true-up adjustment to the single-family 20-gallon carts (i.e., the \$3.00, \$2.00 and \$3.00 adjustments in 2019, 2020 and 2021). In summary form, the RSF will be funded in 2019, 2020 and 2021 as follows:

Table 5 – 1
Summary of the Rate Stabilization Fund Special Charges

Description	2019 Cost True-Up	2020 RSF Fee [1]	2020 Cost True-Up	2021 Cost True-Up
Residential 20 gallon	\$3.00/Month	1.25%	\$2.00/Month	\$3.00/Month
Residential 32 gallon	0.00	1.25%	0.00	0.00
Residential 64 gallon	0.00	1.25%	0.00	0.00
Residential 96 gallon	0.00	1.25%	0.00	0.00
All Other Regularly Scheduled Services	0.00	1.25%	0.00	0.00

[1] – 1.25% of gross revenue billed

It is important to note that the cumulative cost of service adjustment for the 20-gallon cart will be a total of \$8.00/month in 2021 (\$3.00 in 2019, \$5.00 in 2020, \$8.00 in 2021). While the RSF Fee of 1.25% will be a “one-time” assessment, the cost true-up adjustment for the 20-gallon cart will carry-forward beyond 2021. Finally, any proposed rate adjustments in 2019, 2020 and 2021 (i.e., indexing cost adjustments) will be in addition to those shown in Table 5-1.

To better understand the impact of the 1.25% RSF Fee, if the estimated total billings in 2020 are approximately \$7.8 million. If applied to that amount of total revenue, approximately \$98,000 would be generated. In total, combining both the cost of service adjustments to the 20-gallon cart and the one-time 1.25% RSF Fee, will establish a rate stabilization fund of approximately \$470,000 by 2021. Provided in Table 3 is a summary of the revenue calculation.

Table 5 – 2
Summary Revenue Projections of Rate Stabilization Fund

	2018 Rates	2019	2020	2021	Total
Rate Stabilization Fee (\$/Month)		\$3.00	\$2.00	\$3.00	
Residential 20 gallon (\$/Month)	\$22.38	\$25.38	\$27.38	\$30.38	
Rate Stabilization Fund	# Cust. =1,922				
20-Gallon Revenue		\$69,192	\$115,820	\$184,512	\$369,024
1.25% Total Billed ^[1]		<u>N/A</u>	<u>98,612</u>	<u>N/A</u>	<u>98,612</u>
Total RSF Fund		\$69,192	\$213,932	\$184,512	\$467,636

[1] Assumed 2020 billed revenue of \$7,888,920 * 1.25%

5.4 Summary

This completes the review conducted by HDR for the City of Belmont on the 2019 Solid Waste rates. This report has met the City’s requirement to conduct a due diligence on the rate index and resulting solid waste rates as submitted by Recology.



Technical Appendix A – Attachment R Regularly Scheduled Service

The following Attachment R rates are the proposed 2019 rates.

**Attachment R
Maximum Rate Schedule**

Effective January 1, 2019 to December 31, 2019

Monthly Rate

RESIDENTIAL CARTS				
	Cart Size (in Gallons)			
	20	32	64	96
1 Pickup Per Week	\$26.07	\$36.47	\$71.80	\$107.70
<p>Residential customers are billed based on their Garbage Cart size. The monthly rate above includes the following:</p> <ul style="list-style-type: none">One (1) Garbage Cart provided to customerCurbside Household Hazardous Waste CollectionOne (1) 64-Gallon Recycling Cart and (1) 96-Gallon Yard Waste Cart				

**Attachment R
Maximum Rate Schedule**

Effective January 1, 2019 to December 31, 2019

Monthly Rate

COMMERCIAL CARTS

		Cart Size (in Gallons)			
		20	32	64	96
# of Pickups Per Week	1	\$39.01	\$43.32	\$83.76	\$121.06
	2	80.24	89.17	169.00	247.96
	3	119.46	132.72	256.41	376.30
	4	164.02	182.24	344.78	509.01
	5	207.52	230.56	438.26	643.53
	6	259.65	288.49	534.06	810.07
	7	316.30	351.43	625.20	945.06

The monthly rate above includes the following:

One (1) Garbage Cart

Recycling Cart

COMMERCIAL CARTS ORGANICS

		Cart Size (in Gallons)		
		32	64	96
# of Pickups Per Week	1	\$30.33	\$58.65	\$84.74
	2	62.41	118.30	173.56
	3	92.90	179.48	263.41
	4	127.57	241.35	356.30
	5	161.40	306.79	450.47
	6	201.96	373.81	567.04
	7	246.02	437.64	661.55

Note: Organics containers are charged at seventy percent (70%) of the similar Garbage commercial cart rate above container size and service levels for Garbage, representing a thirty percent (30%) discount

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**Attachment R
Maximum Rate Schedule**

Effective January 1, 2019 to December 31, 2019

Monthly Rate

COMMERCIAL BINS

		Bin Size (in Cubic Yards)				
		1	2	3	4	6
# of Pickups Per Week	1	\$203.13	\$408.60	\$616.23	\$841.21	\$1,293.73
	2	413.56	823.90	1,239.90	1,696.97	2,623.87
	3	627.59	1,243.13	1,867.22	2,552.73	3,944.12
	4	844.11	1,665.41	2,496.42	3,418.23	5,253.14
	5	1,062.38	2,093.64	3,127.79	4,287.39	6,580.81
	6	1,325.91	2,471.67	3,797.00	5,192.60	7,955.61
	7	1,564.41	2,927.27	4,470.87	6,116.76	9,317.89

The monthly rate above includes the following:

One (1) Garbage Bin

Recycling container at customer's requested size

COMMERCIAL BINS ORGANICS

		Bin Size (in Cubic Yards)				
		1	2	3	4	6
# of Pickups Per Week	1	\$142.20	\$286.03	\$431.36	\$588.85	\$905.61
	2	289.48	576.73	867.95	1,187.87	1,836.71
	3	439.30	870.19	1,307.06	1,786.91	2,760.87
	4	590.88	1,165.77	1,747.49	2,392.76	3,677.20
	5	743.67	1,465.53	2,189.44	3,001.16	4,606.57
	6	928.15	1,730.16	2,657.90	3,634.85	5,568.93
	7	1,095.09	2,049.09	3,129.61	4,281.73	6,522.52

Note: Organics containers are charged at seventy percent (70%) of the similar garbage container size above and service level for garbage, representing a thirty percent (30%) discount

Attachment R

Maximum Rate Schedule

Effective January 1, 2019 to December 31, 2019

Monthly Rate

GARBAGE COMPACTORS	
Commercial Waste 3 Yard Compactor	\$1,479.73
Solid Waste Compactor Rate Per Yard	\$113.85
The monthly fee above includes the following: Recycling container at customer's requested size	



Technical Appendix B – Attachment Q Unscheduled Services

The following table specifies Maximum Allowable Rates for Unscheduled Services. These Maximum Rates shall be adjusted annually in accordance with Article 11.

Attachment Q
Unscheduled Services

The following table specifies Maximum Allowable Rates for Unscheduled Services. These Maximum Rates shall be adjusted annually in accordance with Article 11.

Unscheduled Service Category	Reference	Cost	Description of Cost
Single-Family Dwelling Backyard Collection Service	Section 5.02.A	See Table Below	See Table Below
Distance Charge for MFD and Commercial Accounts More than 50 Feet From the Curb	Section 5.02.B and 5.02.C	A - 10% of Base monthly rate B - 25% of Base monthly Rate	A - 51 to 100 feet from Curbside B - 101 feet or more from Curbside
Extra Pick-up Cost for MFD and Commercial Customers	Section 5.02.B and 5.02.C	30% of base monthly Rate for the size of Container Collected once per week	Per Collection event
Single-Family Return Trip Cost (i.e. request to provide Collection service on other than the regularly scheduled Collection day)	Section 5.02.A	\$17.14	Per Collection event
Additional Targeted Recyclable Materials or Organic Materials Cart Rental	Sections 5.03.A and 5.04.A	A - \$1.13 B - \$3.42	A - Monthly rental fee for Targeted Recycling Cart (any size) B - Monthly rental fee for Organics/Yard Waste Cart (any size)
Additional E-Scrap Pickup Trip	Section 5.505.B4	Varies by number of items	\$28.57 for each trip (up to five items) \$11.42 per item for each additional item on the same trip \$97.12 per item for large console TV's

Attachment Q
Unscheduled Services (Continued)

Unscheduled Service Category	Reference	Cost	Description of Cost
Additional Confidential Document Destruction Service Event	Section 5.07	\$1,371.06	Per Event
Litter Abatement and Collection Service	Section 5.09B	\$77.70 per hour with an eight (8) hour minimum per service person (includes truck)	Per Event
Additional Compost Material Delivery	Section 5.11	A - \$142.81 B - \$285.64	A - one way delivery (compost left on site) B - two way delivery (Drop box left on site)
Fee for Service On-Call Bulky Item Collection Service	Section 5.12	\$93.18	Per Event
Additional Community Drop-Off Events	Section 5.13	\$23,308.09 Additional \$1.13 per household for post card announcement if requested by Agency	Per event targeting approximately 6,000 households. Does not include disposal.
Collection for Additional Agency-Sponsored and Non-Agency sponsored Large Events (other than the number of events specified in Attachment C)	Section 5.08	A - \$3,427.66 B - \$5,712.76 C - \$8,569.15	A - one-day events with a projected 2,500 or fewer attendees B - one (1) or two (2) day events less than 7,500 attendees per day, that does not qualify for Category A above C - one (1) or two (2) day events with a projected 7,501 to 10,000 attendees per day
Emergency Services	Section 7.08	\$142.81/hour	Cost includes refuse collection vehicle and driver

Attachment Q
Unscheduled Services (Continued)

Unscheduled Service Category	Reference	Cost	Description of Cost
Fee to Collect Contaminated Targeted Recyclable Materials or Organic Materials Container	Section 6.03.A and 8.02.F	25% of the base monthly Rate for the size of Container Collected once per week plus: \$17.14	Per Collection Event
Key Service	Section 8.02.B	A - \$9.71 B - \$10.85	Monthly cost: A - Residential Customers B - Commercial Customers
Lock purchase fee (replacement at no additional cost)	Section 8.02.B	\$19.43	One-time per Account cost.
Overage Fee (Unless Overage Bags purchased)	Section 8.02.G	100% of the base monthly Rate	Per Collection event
Overage Bags Cost (includes Collection)	Section 8.02.G	\$9.14	Per bag
Container Cleaning Fee	Section 8.05.D	A - \$57.13 B - \$97.12	A - per Cart B - per Bin or Drop-Box
Dirty Cart Replacement Cost	Section 8.05.D	A - \$74.28 B - \$85.70 C - \$97.12	A - per 32 gallon Cart B - per 64 gallon Cart C - per 96 gallon Cart

Attachment Q
Unscheduled Services (Continued)

Backyard Collection Service Distance Costs for Single Family Dwellings (Section 5.02.A)				
Distance from Curbside	One (1) Solid Waste Cart	Two (2) Solid Waste Carts	Three (3) Solid Waste Carts	Four (4) Solid Waste Carts
0 - 50 feet	\$20.56	\$32.81	\$65.63	\$98.44
51 - 100 feet	23.99	36.24	69.05	101.88
101 - 150 feet	27.41	39.67	72.47	105.30
151 - 200 feet	30.85	43.10	75.91	108.73
201 - 250 feet	34.27	46.52	79.35	112.16
251 - 300 feet	37.70	49.95	82.77	115.58
301 feet or more	41.14	53.37	86.20	119.01
