

RESOLUTION NO. 2016-75

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA  
APPROVING MAXIMUM RATES TO BE CHARGED BY GREENWASTE RECOVERY  
EFFECTIVE JULY 1, 2016 FOR COLLECTION OF FRANCHISED SOLID WASTE,  
RECYCLING, AND ORGANICS.

WHEREAS, the City of Marina entered into a franchise agreement with GreenWaste Recovery (GWR) on August 19, 2014 for solid waste, recycling, and organics collection services for the period of August 1, 2015 through July 31, 2030; and;

WHEREAS, Section 8.2 of the Franchise Agreement describes the process for an automatic annual adjustment to maximum customer rates on July 1 of each year, based on agreed upon cost indices, changes in tipping fees as the Monterey Regional Waste Management District, and the actual tonnage for materials collected by GWR: and,

WHEREAS, the application of the formulas required by the Franchise Agreement results in different rate increases for each and every service level and category; and,

WHEREAS, consistent with the provisions of Section 8.2C of the franchise agreement, both the City and GWR have agreed on an alternative approach that adjusts rates by the same percentage for all customers within each sector of customers, thereby preserving the current relationship and structure of the rates within each sector to one another; and,

WHEREAS, City staff has reviewed GWR's calculation of the rate adjustments and finds the calculations to be accurate and consistent with the methodology and requirements of the franchise agreement; and,

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Marina hereby resolves to approve an 1.5% increase to all single family residential maximum rates; an 3.6% adjustment to all commercial solid waste, recycling, and organics maximum rates; and, an 2.8% adjustment to all roll-off maximum rates authorized to be charged by GWR under the Franchise Agreement, effective July 1, 2016.

PASSED AND ADOPTED, by the City Council of the City of Marina at a regular meeting duly held on the 24<sup>th</sup> day of May, 2016, by the following vote:

AYES: COUNCIL MEMBERS: Amadeo, Morton, O'Connell, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: Brown

ABSTAIN: COUNCIL MEMBERS: None

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Bruce C. Delgado, Mayor

ATTEST:

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Anita Sharp, Deputy City Clerk

## EXHIBIT E

### RATE ADJUSTMENT METHODOLOGY

#### General

Subject to the terms herein, the Contractor shall be entitled to an annual adjustment of all Rates. Each Rate, excluding special charges, includes an "Operating Component", "Disposal Component", "Processing Component", and "Fee Component", which are annually adjusted.

Contractor shall submit its application for a Rate adjustment to the Agency Contract Manager on or before April 1 of each Rate Period where Rates will be adjusted using the index-based methodology. Contractor shall submit its application on or before February 1 for any Rate Period where Rates will be adjusted using the cost-based methodology. Contractor's Rate application shall document all calculations and include all supporting schedules, documentation of Disposal or Processing Facility tipping fee changes, documentation of changes in Governmental Fees, and any other documentation or evidence determined by the Agency Contract Manager to be reasonably necessary to ensure that the calculation of Rate adjustments has been performed in strict conformance to the requirements of this Exhibit E.

The Agency's City Council shall make a good faith effort to approve Rates by June 1 of each year, and such Rates shall be effective on each subsequent July 1. If Rates are not effective by July 1 due to a delay caused solely by Agency, Agency shall allow Contractor to retroactively bill Customers for the amount of the Rate increase for any period of said delay that is solely caused by Agency. If Rates are not effective by July 1 as a result of Contractor's delay in submitting the Rate application in a complete and accurate form, then prior Rates remain in effect until such adjustment is made. In the case of a delayed Rate adjustment, the Contractor may bill the Customer during the next billing cycle to recoup the deferred Rate increase.

#### Definitions

Certain terms which are specific to this Exhibit (including Exhibits E1, E2, and E3) are defined below:

1. **Agency Fees** shall mean those fees described in Article 7 of this Agreement.
2. **Annual Percentage Change** means the average value of an index for the 12-month period ending December of the then-current Rate Period minus the average index value for the 12-month period ending December of the most-recently completed Rate Period, divided by the average index value for the 12-month period ending December of the most-recently completed Rate Period. The Annual Percentage Change shall be rounded to the nearest thousandth (1,000th).

For example, if the Contractor is preparing its Rate application for Rates to be effective for Rate Period 2, the Annual Percentage Change in CPI shall be calculated as follows:  $[(\text{Average CPI for January 2015 through December 2015}) - (\text{Average CPI for January 2014 through December 2014})] / (\text{Average CPI for January 2014 through December 2014})$ .

3. **Bureau of Labor Statistics (BLS)** shall mean the U.S. Department of Labor, Bureau of Labor Statistics



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### **RATE ADJUSTMENT METHODOLOGY**

or its successor agency.

4. **Consumer Price Index (CPI)** shall mean the All Urban Consumers Index (CPI-U) compiled and published by the BLS, using the following parameters:
  - Area – San Francisco-Oakland-San Jose Metropolitan Area
  - Item – All Items
  - Base Period – Current 1982-84=100
  - Not seasonally adjusted
  - Periodicity – Bi-Monthly
  - Series Identification Number – CUURA422SA0
5. **Employment Cost Index (ECI)** shall mean the index, compiled and published by the BLS with the following parameters:
  - Compensation – Total Compensation
  - Ownership – Private Industry
  - Periodicity – Index Number
  - Group – 210 - Service-Providing Industries
  - Seasonally Adjusted
  - Series Identification Number – CIS2010000000000Q
6. **Fuel Index** shall mean the Producer Price Index-Commodities for #2 Diesel Fuel compiled and published by the BLS, using the following parameters:
  - Not Seasonally Adjusted
  - Group – Fuels and Related Products and Power
  - Item – #2 Diesel Fuel
  - Base Date – 8200
  - Series Identification Number – WPU057303
7. **Governmental Fee** shall mean any fee or surcharge imposed by a governmental entity other than the Agency or MRWMD including without limitation the State, County, or Local Enforcement Agency. Governmental Fees are a component of the Tipping Fee.
8. **Pass-Through Cost** shall mean those Agency Fees, Tipping Fees, Governmental Fees, and other costs, as specifically identified below, that Contractor may include in the determination of Contractor's Compensation but which are not included in the calculation of Contractor's allowable profit.
9. **Rate Adjustment Factor** shall mean the amount, expressed as a percentage, by which each of the operating, disposal, processing, and fee components of each Rate are adjusted. The Rate Adjustment Factor for each component shall be calculated separately.
10. **Tipping Fee** shall mean the Rate or tipping fee charged or paid for each ton or unit of material delivered to an Approved Facility. The Parties acknowledge that the timing of changes to the Tipping Fees at Approved Facilities that are not owned or operated by Contractor or their

## **EXHIBIT E**

### **RATE ADJUSTMENT METHODOLOGY**

subcontractor may not align with the review and adjustment of Rates under this Agreement. In the event that the Contractor begins to pay a new Tipping Fee at an Approved Facility or is directed to an alternative Approved Facility, other than one owned and operated by Contractor or their Subcontractor, prior to the adjustment of Rates under this Agreement, the adjustment to the Rate Adjustment Factor shall consider that period. Alternatively, the Agency reserves the right to adjust Rates at any time during the year in order to address changes in Tipping Fees alone without adjusting any other component of Rates. The "Current Approved" Tipping Fee for any Approved Facility shall be the Tipping Fee in place on January 1 immediately preceding the submission of the Rate Application. The "Interim Tipping Fee Increment" for any Approved Facility shall be the difference between the prior Tipping Fee and the Current Approved Tipping Fee.

- 11. Total Contractor's Compensation** shall mean the total amount to be used as a basis for determining the Rate Adjustment Factor. The Total Contractor's Compensation does not reflect or in any way guarantee the Gross Receipts that are to be generated by Rates or retained by the Contractor.

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# EXHIBIT E1

## MULTI-INDEX RATE ADJUSTMENT METHODOLOGY

### General

The multi-index Rate adjustment methodology involves inflating: (1) the operating component of Rates for the current Rate Period by the CPI, ECI, and Fuel Index; and, (2) the disposal, processing, and fee components of the Rates by the actual changes to those components, to determine the Rates for the coming Rate Period. The intent of performing the multi-index-based adjustment is to allow Contractor's Compensation to be adjusted throughout the Term of this Agreement (giving consideration to those specific cost categories of "fuel" and "labor" that may be more volatile than the CPI) using simple, readily available indicators of changes in Contractor's costs for providing service.

If the ECI, CPI, or Fuel Index is discontinued or revised during the Term by the BLS, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if said index had not been discontinued or revised.

### Calculation

Contractor shall calculate the adjustment to their Rates using the following methodology:

**Step 1:** Calculate the "Operating Component Factor" or "OCF".

**Step 1a:** Calculate the Labor-Related Factor of the OCF by calculating the Annual Percentage Change in the ECI. The factor shall be rounded to the nearest tenth (10th) percent.

**Step 1b:** Calculate the Fuel Factor of the OCF by calculating the Annual Percentage Change in the Fuel Index. The factor shall be rounded to the nearest tenth (10th) percent. If Contractor purchases CNG from the MRWMD, either Agency or Contractor may require that the percentage change in the Fuel Index be replaced by the percentage change in the annual average per unit price of fuel. The annual average per unit price of fuel shall be calculated based on the total fuel expense in the most recently completed calendar year divided by the number of units purchased in that same period. The percentage change shall consider the average unit price in the most recently completed calendar year compared to the calendar year immediately preceding. For the purposes of the first such adjustment, Contractor's Proposal assumed a Diesel Gallon Equivalent price of \$1.696.

**Step 1c:** Calculate the Other Factor of the OCF by calculating the Annual Percentage Change in the CPI. The factor shall be rounded to the nearest tenth (10th) percent.

**Step 1d:** Calculate the OCF, rounded to the nearest tenth (10th) percent, as follows:

$$\text{OCF} = (17.4\% \times \text{Labor-Related Factor calculated in Step 1a above}) + (3.2\% \times \text{Fuel Factor calculated in Step 1b above}) + (79.4\% \times \text{Other Factor calculated in Step 1c above})$$

For example, assuming:

1. Proposed labor-related costs are 17.4% of proposed total annual operating costs.

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## EXHIBIT E1

### MULTI-INDEX RATE ADJUSTMENT METHODOLOGY

2. Proposed fuel costs are 3.2% of proposed total annual operating costs.
3. Proposed other costs are 79.4% of proposed total annual operating costs.
4. Labor-Related Factor = 3% (calculated in Step 1a)
5. Fuel Factor = 17% (calculated in Step 1b)
6. Other Factor = 1% (calculated in Step 1c)
7.  $OCF = (17.4\% \times 3\%) + (3.2\% \times 17\%) + (79.4\% \times 1\%) = 0.0186 = 1.9\%$

**Step 2:** Calculate the adjusted Operating Component, rounded to the nearest cent, for each Rate as follows:

$$\text{Adjusted Operating Component} = \text{Then-current Operating Component} \times (1 + OCF)$$

For example, assuming:

1. Then-current Operating Component = \$50.00
  2. OCF = 1.9%
- Adjusted Operating Component =  $\$50.00 \times (1 + 0.019) = \$50.95$

**Step 3:** Calculate the adjusted Disposal Component, rounded to the nearest cent, for each Rate to reflect any percentage change in the total cost of Disposal at the Approved Disposal Facility. This "step 3" shall only be applied to Solid Waste Rates. The adjustment shall be calculated as follows:

$$\text{Adjusted Disposal Component} = \text{Then-current Disposal Component} \times \left[ \frac{(\text{Current Approved Disposal Facility Tipping Fee} \times \text{Most Recent 12-month Tonnage} + \text{Interim Tipping Fee Increment} \times \text{Actual Tonnage at Interim Tipping Fee})}{(\text{Prior Approved Disposal Facility Tipping Fee} \times \text{Prior 12-month Tonnage})} \right]$$

For example, assuming:

1. Then-current Disposal Component = \$20.00
  2. Current Approved Disposal Facility Tipping Fee = \$50.00 per Ton
  3. Most Recent 12-month Tonnage = 1,050
  4. Interim Tipping Fee Increment = \$3.75
  5. Actual Tonnage at Interim Tipping Fee = 525
  6. Prior Approved Disposal Facility Tipping Fee = \$46.25 per Ton
  7. Prior 12-month Tonnage = 1,000
- Adjusted Disposal Component =  $\$20.00 \times \left[ \frac{(\$50.00 \times 1,050 + \$3.75 \times 525)}{(\$46.25 \times 1,000)} \right] = \$23.55$

**Step 4:** Calculate the adjusted Processing Component, rounded to the nearest cent, for each Rate to reflect any percentage change in the total cost of or rebate from Processing at an Approved Processing Facility. This "step 4" shall not be applied to Solid Waste Rates, unless the Solid Waste Rates includes the cost and/or revenue associated with processing Recyclable and/or Organic Materials. The processing component Rate Adjustment Factor shall not exceed the Annual Percentage Change in CPI for any facility owned and operated by Contractor or their Subcontractor. The adjustment shall be calculated as follows:

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## EXHIBIT E1

### MULTI-INDEX RATE ADJUSTMENT METHODOLOGY

Adjusted Processing Component = Then-current Processing Component x [(Current Approved Processing Facility Tipping Fee x Most Recent 12-month Tonnage + Interim Tipping Fee Increment x Actual Tonnage at Interim Tipping Fee) / (Prior Approved Processing Facility Tipping Fee x Prior 12-month Tonnage)]

For example, assuming:

1. Then-current Processing Component = \$2.00
  2. Current Approved Processing Facility Tipping Fee = \$16.00 per Ton
  3. Most Recent 12-month Tonnage = 900
  4. Interim Tipping Fee Increment = \$1.00
  5. Actual Tonnage at Interim Tipping Fee = 500
  6. Prior Approved Processing Facility Tipping Fee = \$15.00 per Ton
  7. Prior 12-month Tonnage = 1,000
- Adjusted Processing Component =  $\$2.00 \times [(\$16.00 \times 900 + \$1.00 \times 500) / (\$15.00 \times 1,000)] = \$1.99$

**Step 5:** Calculate the adjusted Fee Component, rounded to the nearest cent, for each Rate. The adjusted Fee Component of each Rate shall be calculated as follows:

Adjusted Fee Component = Then-current Fee Component x (1+OCF)

For example, assuming:

1. Then-current Fee Component = \$5.00
  2. OCF = 1.9%
- Adjusted Fee Component =  $\$5.00 \times (1 + 0.019) = \$5.10$

**Step 6:** Calculate the adjusted value for each Rate charged under this Agreement. Adjusted Rates shall be calculated as follows:

Adjusted Rate = Adjusted Operating Component + (Adjusted Disposal Component OR Adjusted Processing Component) + Adjusted Fee Component

For example, assuming:

1. The Rate being adjusted is a Solid Waste Collection Rate
  2. Adjusted Operating Component = \$50.95 (as calculated in Step 2)
  3. Adjusted Disposal Component = \$22.70 (as calculated in Step 3)
  4. Adjusted Fee Component = \$5.10 (as calculated in Step 5)
- Adjusted Rate =  $\$50.95 + \$22.70 + \$5.10 = \$78.75$



## **EXHIBIT E2**

### **COST-BASED RATE ADJUSTMENT METHODOLOGY**

#### **General**

The cost-based adjustment involves review of the Contractor's actual cost of operations and operational statistics (staffing levels, routes, route hours, Customers and their service levels, etc.) to determine the Total Contractor's Compensation for the current Rate Period and to forecast the Total Contractor's Compensation for the coming Rate Period. The difference (measured as a percentage) between the Total Contractor's Compensation for the coming Rate Period and the Gross Receipts most-recently reported calendar year is the "Rate Adjustment Factor". The Rate Adjustment Factor is applied to the then-current Rates to determine the Rates for the coming Rate Period.

The intent of performing the cost-based adjustment is to examine the actual impact of changes in inflation, the number of Customers, and the Service Level of Customers.

The Agency may incur costs, including consulting and legal fees, when determining adjustments to the Rates in accordance with this Exhibit and may require the Contractor to pay for such costs within sixty (60) calendar days of receipt of the Agency's invoice for such costs. The Contractor may recover such costs through the Rates by treating the costs as an allowable Pass-Through Cost. Regardless of Contractor's payment of costs associated with said review, Agency shall retain full and unimpeded discretion in selection of its agents to ensure, at a minimum, that no conflict of interest arises in the review of Contractor's request. Agency retains the right to select its agents on the basis of their qualifications and experience and without regard to cost.

#### **Forecasting Total Contractor's Compensation**

The Total Contractor's Compensation for the coming Rate Period shall be forecasted in the manner described in this Section.

##### **A. Forecasting Total Annual Cost of Operations**

**1. Determine Actual Total Annual Cost of Operations.** Contractor's financial statement, books, and records shall be reviewed to determine Contractor's "Actual Total Annual Cost of Operations" for the most-recently completed Rate Period to perform all the services in the manner required by this Agreement for each of the following cost categories:

- a. Labor-related costs
- b. Vehicle-related costs (excluding fuel)
- c. Fuel costs
- d. Other costs
- e. Depreciation costs

**2. Calculate Allowable Costs.** Contractor shall calculate "Allowable Total Annual Cost of Operations" for the most-recently completed Rate Period by adjusting "Actual Total Annual Cost of Operations" for the most-recently completed Rate Period (determined in accordance with A.1



## **EXHIBIT E2**

### **COST-BASED RATE ADJUSTMENT METHODOLOGY**

above) to deduct non-allowable costs. The Allowable Total Annual Cost of Operations shall be reported in the cost categories identified in A.1 above. Non-allowable costs that shall be deducted from actual costs include the following:

- a. Labor and equipment costs for personnel and vehicles that are not specified in the proposal forms contained in Exhibit G.
- b. Payments to directors and/or owners of Contractor unless the amount paid is reasonable compensation for services actually rendered. Reasonableness shall be determined based on available market pricing for similar services and shall be in the sole discretion of the Agency.
- c. Travel expenses and entertainment (above five thousand dollars (\$5,000) annually in total) expenses, unless authorized in advance by the City.
- d. Payments to repair damage to public or private property for which Contractor is legally liable.
- e. Fines or penalties of any nature.
- f. Liquidated Damages assessed under this Agreement.
- g. Federal or State income taxes.
- h. Charitable or political donations unless such donation is to a youth, civic, or charitable organization and has been previously approved in writing as an allowable expense by the Agency Contract Manager.
- i. Depreciation or interest expense for Collection vehicles, Containers, other equipment, offices and other facilities if such items are leased as specified in Exhibit G.
- j. Attorney's fees and other expenses incurred by Contractor in any court proceeding in which the Agency and Contractor are adverse Parties.
- k. Attorney's fees and other expenses incurred by Contractor arising from any act or omission in violation of this Agreement.
- l. Attorneys' fees and other expenses incurred by Contractor in any court proceeding in which Contractor's own negligence, violation of law or regulation, or wrong doing are in issue and occasion, in whole or in part, the attorneys' fees and expenses claimed; and attorneys' fees and expenses incurred by Contractor in a court proceeding in which the legal theory or statute providing a basis of liability against Contractor also provides for separate potential liability for the Agency derived from the action of its citizens or Rate payers (such as in a CERCLA lawsuit) unless the Contractor is found not liable in such claims and such claims arise from acts or occurrences within the Term of the Agreement.

(e)

## **EXHIBIT E2**

### **COST-BASED RATE ADJUSTMENT METHODOLOGY**

- m. Payments to Related-Party Entities for products or services, in excess of the cost to the Related-Party Entities for those products or services.
- n. Goodwill.
- o. Unreasonable profit sharing distributions.
- p. Replacement costs for Containers that need to be replaced because the useful life of such Container was less than the Term.
- q. Administrative costs greater than the administrative costs presented in Contractor's Proposal (Exhibit G) adjusted annually by the Annual Percentage Change in the CPI.
- r. Bad debt write-offs in excess of two percent (2%) of annual Rate revenues.

**3. Forecast Total Annual Cost of Operations.** Forecasted Total Annual Cost of Operations for the coming Rate Period shall be calculated based on Allowed Total Cost of Operations for the most-recently completed Rate Period determined in accordance with A.2 above. The forecasts shall be performed in the following manner:

- a. **Forecasted labor-related costs** shall be calculated for the coming Rate Period by multiplying the allowed labor-related costs, both direct and allocated, for the most-recently completed Rate Period by one (1) plus the Annual Percentage Change in the ECI. The result of this calculation shall be multiplied once more by one (1) plus the Annual Percentage Change in the ECI.
- b. **Forecasted vehicle-related costs** (excluding fuel and depreciation costs) shall be calculated for the coming Rate Period by multiplying the allowed vehicle-related costs, both direct and allocated, for the most-recently completed Rate Period by one (1) plus the Annual Percentage Change in the CPI. The result of this calculation shall be multiplied once more by one (1) plus the Annual Percentage Change in the CPI.
- c. **Forecasted fuel costs** shall be calculated for the coming Rate Period by multiplying the allowed fuel costs, both direct and allocated, for the most-recently completed Rate Period by one (1) plus the Annual Percentage Change in the Fuel Index. The result of this calculation shall be multiplied once more by one (1) plus the Annual Percentage Change in the Fuel Index.
- d. **Forecasted other costs** shall be calculated for the coming Rate Period by multiplying the allowed other-related costs, both direct and allocated, for most-recently completed Rate Period by one (1) plus the Annual Percentage Change in CPI. The result of this calculation shall be multiplied once more by one (1) plus the Annual Percentage Change in the CPI.
- e. **Forecasted direct depreciation expense** shall be the amount specified in Exhibit



## EXHIBIT E2

### COST-BASED RATE ADJUSTMENT METHODOLOGY

G2 for vehicles, Containers, and facilities. Direct depreciation expense is a fixed cost and is not subject to inflation.

- f. **Forecasted allocated depreciation expense** shall be the amount specified in Exhibit G2 for vehicles, Containers, and facilities. Allocated depreciation expense is a fixed cost and not subject to inflation.
  
- g. **Forecasted Total Annual Cost of Operations** for the coming Rate Period shall equal the sum of the following costs, which shall have been calculated in accordance with the procedures in this Exhibit E3:
  - (1) Forecasted labor-related costs
  - (2) Forecasted vehicle-related costs (excluding fuel costs)
  - (3) Forecasted fuel costs
  - (4) Forecasted other costs
  - (5) Forecasted direct depreciation expense
  - (6) Forecasted allocated costs (depreciation)

#### B. Forecast Profit

Contractor shall be entitled to Profit on Forecasted Total Annual Cost of Operations. Profit shall be calculated using an operating ratio of eighty nine and three tenths percent (89.3%) as proposed by Contractor and described in Exhibit G-2. Profit shall be calculated using the following formula:

Profit = (Forecasted Total Annual Cost of Operations/Operating Ratio)-Forecasted Total Annual Cost of Operations

For Example:

- 1. Assuming an operating ratio of 92%
- 2. Assuming a Forecasted Total Annual Cost of Operations of \$1,000,000
- 3. Profit =  $(1,000,000/.92)-1,000,000=86,956.52$

#### C. Forecast Pass-Through Costs.

Pass-Through Costs for the coming Rate Period shall be forecasted in the following manner:

- 1. **Forecasted Disposal Cost.** Annual Forecasted Disposal Cost = (Tipping Fee at Approved Disposal Facility) x (total Tons of Solid Waste Collected for the most-recently completed calendar year).
  
- 2. **Forecasted Recyclable Materials Processing Cost.** Annual Forecasted Recyclable Materials Processing Cost = (Tipping Fee at Approved Recyclable Materials Processing Facility) x (total Tons of Recyclable Materials Collected for the most-recently completed calendar year)
  
- 3. **Forecasted Organic Materials Processing Cost.** Annual Forecasted Organic Materials



## EXHIBIT E2

### COST-BASED RATE ADJUSTMENT METHODOLOGY

Processing Cost = (Tipping Fee at Approved Organic Materials Processing Facility) x (total Tons of Organic Materials Collected for the most-recently completed calendar year)

4. **Forecasted Interest Expense.** Interest Expense is sixty one thousand three hundred twenty two dollars (\$61,322) per year and shall not be adjusted over the Term of the Agreement.
  5. **Forecasted Direct Lease Costs.** Direct Lease Costs are zero dollars (\$0) per year and shall not be adjusted over the Term of the Agreement.
  6. **Forecasted Allocated Lease Costs.** Allocated Lease Costs are fifty thousand two hundred twenty one dollars (\$50,221) per year and shall not be adjusted over the Term of the Agreement.
- D. **Forecast Agency Fees**
1. **Forecasted Franchise Fee.** Forecasted Franchise Fees shall equal ten percent (10%) of the Forecasted Total Contractor's Compensation.
  2. **Forecasted Administrative Fee.** The Forecasted Administrative Fee shall be in an amount prescribed by the Agency. If no revised Administrative Fee is provided by the Agency, the Administrative Fee paid to the Agency during the prior Rate Period shall remain in effect.
  3. **Forecasted AB939 Fee.** The Forecasted AB939 Fee shall be in an amount prescribed by the Agency. If no revised AB939 Fee is provided by the Agency, the AB939 Fee paid to the Agency during the prior Rate Period shall remain in effect.
  4. **Forecasted HHW Fee.** The Forecasted HHW Fee shall be in an amount prescribed by the Agency. If no revised HHW Fee is provided by the Agency, the HHW Fee paid to the Agency during the prior Rate Period shall remain in effect.
  5. **Forecasted Vehicle Impact Fee.** Forecasted Vehicle Impact Fee shall be equal to five percent (5%) of the Forecasted Total Contractor's Compensation.
  6. **Forecasted Litter Abatement Fee.** The Forecasted Litter Abatement Fee shall be in an amount prescribed by the Agency. If no revised Litter Abatement Fee is provided by the Agency, the Litter Abatement Fee paid to the Agency during the prior Rate Period shall remain in effect.
  7. **Rate Application Review Costs.** An amount determined by the Agency to reimburse the Contractor for payment of the City's costs, including consulting and legal fees associated with determination of Rates under this Exhibit.
  8. **Forecasted Total Agency Fees.** Forecasted Total Agency Fees shall equal the sum of the Forecasted Franchise Fee, Forecasted Administrative Fee, Forecasted AB939 Fee, Forecasted HHW Fee, Forecasted Vehicle Impact Fee, Forecasted Litter Abatement Fee,



## **EXHIBIT E2**

### **COST-BASED RATE ADJUSTMENT METHODOLOGY**

and Rate Application Review Costs.

#### **RATE ADJUSTMENT FACTORS**

**A. Operating Component Rate Adjustment Factor.** The "Operating Component Rate Adjustment Factor" shall be determined by dividing the sum of the Forecasted Total Annual Cost of Operations, Forecasted Profit, Forecasted Interest Expense, Forecasted Direct Lease Costs, and Forecasted Allocated Lease Costs by the sum of the Actual Total Annual Cost of Operations, Profit, Interest Expense, Direct Lease Costs, and Allocated Lease Costs, rounded to the nearest thousandth.

**B. Disposal Component Rate Adjustment Factor.** The "Disposal Component Rate Adjustment Factor" shall be determined by dividing the Forecasted Disposal Cost by the Disposal Component portion of Rate Revenues received over the most recent twelve (12) months, rounded to the nearest thousandth (1000th). The Disposal Component shall only be applied to Solid Waste Collection Rates and shall not be included in the calculation of Recyclable Materials Collection Rates, Organic Materials Collection Rates, or Special Charges.

**C. Processing Component Rate Adjustment Factor.** The "Processing Component Rate Adjustment Factor" shall be determined by dividing the Forecasted Processing Cost by the Processing Component portion of Rate Revenues received over the most recent twelve (12) months, rounded to the nearest thousandth (1000th). This calculation shall be performed for the Forecasted Recyclable Materials Processing Cost for determination of Recyclable Materials Collection Rates. The calculation shall be performed separately for the Forecasted Organic Materials Processing Cost for determination of Organic Materials Collection Rates. The Processing Component Rate Adjustment Factor shall not be applied to Solid Waste Collection Rates or Special Charges.

**D. Fee Component Rate Adjustment Factor.** The "Fee Component Rate Adjustment Factor" shall be determined by dividing the Forecasted Total City Fees by the sum of all Agency Fees, as described in Article 7 of the Agreement, paid to the City by Contractor over the most recent twelve (12) months, rounded to the nearest thousandth (1000th).

#### **ADJUSTMENT OF RATES**

Each then-current Rate component shall be multiplied by the associated component Rate Adjustment Factor to calculate the effective Rate for the coming Rate Period. All Special Charges shall be adjusted using the Operating Component Rate Adjustment Factor.



Residential Rates												
Sector	Service	Size	Vol	Freq	Total Rate	Operating		Recycling		Organics		Fee
						Component	Component	Processing	Component	Processing	Component	
RES	Curbside	20 Gal	1	\$	13.17	\$ 9.45	\$ 1.52	\$ (0.29)	\$ 0.51	\$	1.98	
RES	Curbside	32 Gal	1	\$	14.64	\$ 9.78	\$ 2.43	\$ (0.29)	\$ 0.51	\$	2.20	
RES	Curbside	64 Gal	1	\$	18.36	\$ 10.52	\$ 4.87	\$ (0.29)	\$ 0.51	\$	2.75	
RES	Curbside	96 Gal	1	\$	20.85	\$ 10.20	\$ 7.30	\$ (0.29)	\$ 0.51	\$	3.13	
RES	Curbside	Low Income	1	\$	12.55	\$ 8.01	\$ 2.43	\$ (0.29)	\$ 0.51	\$	1.88	
RES	Curbside	Senior Rate	1	\$	7.39	\$ 3.62	\$ 2.43	\$ (0.29)	\$ 0.51	\$	1.11	

Commercial Solid Waste Rates												
Sector	Service	Size	Vol	Freq	Total Rate	Operating		Recycling		Organics		Fee
						Component	Component	Processing	Component	Processing	Component	
COM	MSW	32 Gal	1	\$	15.81	\$ 11.00	\$ 2.43	n/a	n/a	\$	2.37	
COM	MSW	32 Gal	2	\$	32.25	\$ 22.55	\$ 4.87	n/a	n/a	\$	4.84	
COM	MSW	32 Gal	3	\$	48.38	\$ 33.82	\$ 7.30	n/a	n/a	\$	7.26	
COM	MSW	32 Gal	4	\$	64.50	\$ 45.09	\$ 9.74	n/a	n/a	\$	9.68	
COM	MSW	32 Gal	5	\$	80.63	\$ 56.36	\$ 12.17	n/a	n/a	\$	12.09	
COM	MSW	32 Gal	6	\$	96.75	\$ 67.64	\$ 14.60	n/a	n/a	\$	14.51	
COM	MSW	64 Gal	1	\$	30.32	\$ 20.90	\$ 4.87	n/a	n/a	\$	4.55	
COM	MSW	64 Gal	2	\$	61.85	\$ 42.83	\$ 9.74	n/a	n/a	\$	9.28	
COM	MSW	64 Gal	3	\$	92.77	\$ 64.25	\$ 14.60	n/a	n/a	\$	13.92	
COM	MSW	64 Gal	4	\$	123.69	\$ 85.67	\$ 19.47	n/a	n/a	\$	18.55	
COM	MSW	64 Gal	5	\$	154.62	\$ 107.08	\$ 24.34	n/a	n/a	\$	23.19	
COM	MSW	64 Gal	6	\$	185.54	\$ 128.50	\$ 29.21	n/a	n/a	\$	27.83	
COM	MSW	96 Gal	1	\$	39.08	\$ 25.91	\$ 7.30	n/a	n/a	\$	5.86	
COM	MSW	96 Gal	2	\$	79.72	\$ 53.15	\$ 14.60	n/a	n/a	\$	11.96	
COM	MSW	96 Gal	3	\$	119.57	\$ 79.73	\$ 21.91	n/a	n/a	\$	17.94	
COM	MSW	96 Gal	4	\$	159.43	\$ 106.31	\$ 29.21	n/a	n/a	\$	23.91	
COM	MSW	96 Gal	5	\$	199.29	\$ 132.89	\$ 36.51	n/a	n/a	\$	29.89	
COM	MSW	96 Gal	6	\$	239.15	\$ 159.46	\$ 43.81	n/a	n/a	\$	35.87	
COM	MSW	1 YD	1	\$	84.75	\$ 56.67	\$ 15.36	n/a	n/a	\$	12.71	
COM	MSW	1 YD	2	\$	172.89	\$ 116.23	\$ 30.73	n/a	n/a	\$	25.93	
COM	MSW	1 YD	3	\$	259.34	\$ 174.34	\$ 46.09	n/a	n/a	\$	38.90	
COM	MSW	1 YD	4	\$	345.78	\$ 232.46	\$ 61.46	n/a	n/a	\$	51.87	
COM	MSW	1 YD	5	\$	432.23	\$ 290.57	\$ 76.82	n/a	n/a	\$	64.83	
COM	MSW	1 YD	6	\$	518.67	\$ 348.68	\$ 92.19	n/a	n/a	\$	77.80	
COM	MSW	2 YD	1	\$	168.62	\$ 112.60	\$ 30.73	n/a	n/a	\$	25.29	
COM	MSW	2 YD	2	\$	343.98	\$ 230.93	\$ 61.46	n/a	n/a	\$	51.60	
COM	MSW	2 YD	3	\$	515.97	\$ 346.39	\$ 92.19	n/a	n/a	\$	77.40	
COM	MSW	2 YD	4	\$	694.29	\$ 467.23	\$ 122.92	n/a	n/a	\$	104.14	
COM	MSW	2 YD	5	\$	859.95	\$ 577.31	\$ 153.65	n/a	n/a	\$	128.99	
COM	MSW	2 YD	6	\$	1,031.94	\$ 692.78	\$ 184.37	n/a	n/a	\$	154.79	
COM	MSW	3 YD	1	\$	253.28	\$ 169.19	\$ 46.09	n/a	n/a	\$	37.99	
COM	MSW	3 YD	2	\$	516.69	\$ 347.00	\$ 92.19	n/a	n/a	\$	77.50	
COM	MSW	3 YD	3	\$	775.04	\$ 520.50	\$ 138.28	n/a	n/a	\$	116.26	
COM	MSW	3 YD	4	\$	1,033.38	\$ 694.00	\$ 184.37	n/a	n/a	\$	155.01	
COM	MSW	3 YD	5	\$	1,291.73	\$ 867.50	\$ 230.47	n/a	n/a	\$	193.76	
COM	MSW	3 YD	6	\$	1,550.08	\$ 1,041.00	\$ 276.56	n/a	n/a	\$	232.51	
COM	MSW	4 YD	1	\$	337.62	\$ 225.52	\$ 61.46	n/a	n/a	\$	50.64	
COM	MSW	4 YD	2	\$	688.75	\$ 462.52	\$ 122.92	n/a	n/a	\$	103.31	
COM	MSW	4 YD	3	\$	1,033.13	\$ 693.78	\$ 184.37	n/a	n/a	\$	154.97	
COM	MSW	4 YD	4	\$	1,377.50	\$ 925.04	\$ 245.83	n/a	n/a	\$	206.63	
COM	MSW	4 YD	5	\$	1,721.88	\$ 1,156.30	\$ 307.29	n/a	n/a	\$	258.28	
COM	MSW	4 YD	6	\$	2,066.25	\$ 1,387.56	\$ 368.75	n/a	n/a	\$	309.94	
COM	MSW	6 YD	1	\$	398.85	\$ 246.84	\$ 92.19	n/a	n/a	\$	59.83	
COM	MSW	6 YD	2	\$	813.66	\$ 507.24	\$ 184.37	n/a	n/a	\$	122.05	
COM	MSW	6 YD	3	\$	1,220.49	\$ 760.85	\$ 276.56	n/a	n/a	\$	183.07	
COM	MSW	6 YD	4	\$	1,627.32	\$ 1,014.47	\$ 368.75	n/a	n/a	\$	244.10	
COM	MSW	6 YD	5	\$	2,034.15	\$ 1,268.09	\$ 460.94	n/a	n/a	\$	305.12	
COM	MSW	6 YD	6	\$	2,440.97	\$ 1,521.71	\$ 553.12	n/a	n/a	\$	366.15	
COM	MSW	8 YD	1	\$	531.82	\$ 329.14	\$ 122.92	n/a	n/a	\$	79.77	
COM	MSW	8 YD	2	\$	1,084.92	\$ 676.35	\$ 245.83	n/a	n/a	\$	162.74	
COM	MSW	8 YD	3	\$	1,627.38	\$ 1,014.53	\$ 368.75	n/a	n/a	\$	244.11	
COM	MSW	8 YD	4	\$	2,169.85	\$ 1,352.70	\$ 491.66	n/a	n/a	\$	325.48	
COM	MSW	8 YD	5	\$	2,712.31	\$ 1,690.88	\$ 614.58	n/a	n/a	\$	406.85	
COM	MSW	8 YD	6	\$	3,254.77	\$ 2,029.06	\$ 737.50	n/a	n/a	\$	488.22	

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Exhibit G3 - Initial Rates for Collection Services

Commercial Recycling Rates													
Sector	Service	Size	Vol	Freq	Total Rate	Operating Component	Disposal Component	Recycling Processing Component	Organics Processing Component	Fee			
										Component	Component		
COM	REC	32 Gal	1	\$	2.37	\$	2.31	n/a	\$	(0.29)	n/a	\$	0.36
COM	REC	32 Gal	2	\$	4.84	\$	4.70	n/a	\$	(0.58)	n/a	\$	0.73
COM	REC	32 Gal	3	\$	7.26	\$	7.04	n/a	\$	(0.87)	n/a	\$	1.09
COM	REC	32 Gal	4	\$	9.68	\$	9.39	n/a	\$	(1.17)	n/a	\$	1.45
COM	REC	32 Gal	5	\$	12.09	\$	11.74	n/a	\$	(1.46)	n/a	\$	1.81
COM	REC	32 Gal	6	\$	14.51	\$	14.09	n/a	\$	(1.75)	n/a	\$	2.18
COM	REC	64 Gal	1	\$	4.55	\$	4.45	n/a	\$	(0.58)	n/a	\$	0.68
COM	REC	64 Gal	2	\$	9.28	\$	9.05	n/a	\$	(1.17)	n/a	\$	1.39
COM	REC	64 Gal	3	\$	13.92	\$	13.58	n/a	\$	(1.75)	n/a	\$	2.09
COM	REC	64 Gal	4	\$	18.55	\$	18.10	n/a	\$	(2.33)	n/a	\$	2.78
COM	REC	64 Gal	5	\$	23.19	\$	22.63	n/a	\$	(2.91)	n/a	\$	3.48
COM	REC	64 Gal	6	\$	27.83	\$	27.15	n/a	\$	(3.50)	n/a	\$	4.17
COM	REC	96 Gal	1	\$	5.86	\$	5.86	n/a	\$	(0.87)	n/a	\$	0.88
COM	REC	96 Gal	2	\$	11.96	\$	11.91	n/a	\$	(1.75)	n/a	\$	1.79
COM	REC	96 Gal	3	\$	17.94	\$	17.87	n/a	\$	(2.62)	n/a	\$	2.69
COM	REC	96 Gal	4	\$	23.91	\$	23.83	n/a	\$	(3.50)	n/a	\$	3.59
COM	REC	96 Gal	5	\$	29.89	\$	29.78	n/a	\$	(4.37)	n/a	\$	4.48
COM	REC	96 Gal	6	\$	35.87	\$	35.74	n/a	\$	(5.25)	n/a	\$	5.38
COM	REC	1 YD	1	\$	12.71	\$	12.65	n/a	\$	(1.84)	n/a	\$	1.91
COM	REC	1 YD	2	\$	25.93	\$	25.72	n/a	\$	(3.68)	n/a	\$	3.89
COM	REC	1 YD	3	\$	38.90	\$	38.59	n/a	\$	(5.52)	n/a	\$	5.84
COM	REC	1 YD	4	\$	51.87	\$	51.45	n/a	\$	(7.36)	n/a	\$	7.78
COM	REC	1 YD	5	\$	64.83	\$	64.31	n/a	\$	(9.20)	n/a	\$	9.73
COM	REC	1 YD	6	\$	77.80	\$	77.17	n/a	\$	(11.04)	n/a	\$	11.67
COM	REC	2 YD	1	\$	25.29	\$	25.18	n/a	\$	(3.68)	n/a	\$	3.79
COM	REC	2 YD	2	\$	51.60	\$	51.22	n/a	\$	(7.36)	n/a	\$	7.74
COM	REC	2 YD	3	\$	77.40	\$	76.83	n/a	\$	(11.04)	n/a	\$	11.61
COM	REC	2 YD	4	\$	104.14	\$	103.24	n/a	\$	(14.72)	n/a	\$	15.62
COM	REC	2 YD	5	\$	128.99	\$	128.04	n/a	\$	(18.40)	n/a	\$	19.35
COM	REC	2 YD	6	\$	154.79	\$	153.65	n/a	\$	(22.08)	n/a	\$	23.22
COM	REC	3 YD	1	\$	37.99	\$	37.80	n/a	\$	(5.52)	n/a	\$	5.70
COM	REC	3 YD	2	\$	77.50	\$	76.92	n/a	\$	(11.04)	n/a	\$	11.63
COM	REC	3 YD	3	\$	116.26	\$	115.38	n/a	\$	(16.56)	n/a	\$	17.44
COM	REC	3 YD	4	\$	155.01	\$	153.84	n/a	\$	(22.08)	n/a	\$	23.25
COM	REC	3 YD	5	\$	193.76	\$	192.30	n/a	\$	(27.60)	n/a	\$	29.06
COM	REC	3 YD	6	\$	232.51	\$	230.76	n/a	\$	(33.12)	n/a	\$	34.88
COM	REC	4 YD	1	\$	50.64	\$	50.41	n/a	\$	(7.36)	n/a	\$	7.60
COM	REC	4 YD	2	\$	103.31	\$	102.54	n/a	\$	(14.72)	n/a	\$	15.50
COM	REC	4 YD	3	\$	154.97	\$	153.80	n/a	\$	(22.08)	n/a	\$	23.25
COM	REC	4 YD	4	\$	206.63	\$	205.07	n/a	\$	(29.44)	n/a	\$	30.99
COM	REC	4 YD	5	\$	258.28	\$	256.34	n/a	\$	(36.80)	n/a	\$	38.74
COM	REC	4 YD	6	\$	309.94	\$	307.61	n/a	\$	(44.16)	n/a	\$	46.49
COM	REC	6 YD	1	\$	59.83	\$	61.89	n/a	\$	(11.04)	n/a	\$	8.97
COM	REC	6 YD	2	\$	122.05	\$	125.82	n/a	\$	(22.08)	n/a	\$	18.31
COM	REC	6 YD	3	\$	183.07	\$	188.73	n/a	\$	(33.12)	n/a	\$	27.46
COM	REC	6 YD	4	\$	244.10	\$	251.64	n/a	\$	(44.16)	n/a	\$	36.61
COM	REC	6 YD	5	\$	305.12	\$	314.56	n/a	\$	(55.20)	n/a	\$	45.77
COM	REC	6 YD	6	\$	366.15	\$	377.47	n/a	\$	(66.24)	n/a	\$	54.92
COM	REC	8 YD	1	\$	79.77	\$	82.53	n/a	\$	(14.72)	n/a	\$	11.97
COM	REC	8 YD	2	\$	162.74	\$	167.77	n/a	\$	(29.44)	n/a	\$	24.41
COM	REC	8 YD	3	\$	244.11	\$	251.65	n/a	\$	(44.16)	n/a	\$	36.62
COM	REC	8 YD	4	\$	325.48	\$	335.54	n/a	\$	(58.88)	n/a	\$	48.82
COM	REC	8 YD	5	\$	406.85	\$	419.42	n/a	\$	(73.60)	n/a	\$	61.03
COM	REC	8 YD	6	\$	488.22	\$	503.31	n/a	\$	(88.32)	n/a	\$	73.23

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Exhibit G3 - Initial Rates for Collection Services

Commercial Organics Rates										
Sector	Service	Size	Vol	Freq	Total Rate	Operating Component	Disposal Component	Recycling Processing Component	Organics Processing Component	Fee Component
COM	ORG	64 Gal		1	\$ 22.74	\$ 18.30	n/a	n/a	\$ 1.03	\$ 3.41
COM	ORG	64 Gal		2	\$ 46.38	\$ 37.37	n/a	n/a	\$ 2.06	\$ 6.96
COM	ORG	64 Gal		3	\$ 69.58	\$ 56.05	n/a	n/a	\$ 3.09	\$ 10.44
COM	ORG	64 Gal		4	\$ 92.77	\$ 74.73	n/a	n/a	\$ 4.12	\$ 13.92
COM	ORG	64 Gal		5	\$ 115.96	\$ 93.42	n/a	n/a	\$ 5.15	\$ 17.39
COM	ORG	64 Gal		6	\$ 139.15	\$ 112.10	n/a	n/a	\$ 6.18	\$ 20.87
COM	ORG	96 Gal		1	\$ 29.31	\$ 23.37	n/a	n/a	\$ 1.54	\$ 4.40
COM	ORG	96 Gal		2	\$ 59.79	\$ 47.73	n/a	n/a	\$ 3.09	\$ 8.97
COM	ORG	96 Gal		3	\$ 89.68	\$ 71.59	n/a	n/a	\$ 4.63	\$ 13.45
COM	ORG	96 Gal		4	\$ 119.57	\$ 95.46	n/a	n/a	\$ 6.18	\$ 17.94
COM	ORG	96 Gal		5	\$ 149.47	\$ 119.32	n/a	n/a	\$ 7.72	\$ 22.42
COM	ORG	96 Gal		6	\$ 179.36	\$ 143.19	n/a	n/a	\$ 9.27	\$ 26.90
COM	ORG	1 YD		1	\$ 63.56	\$ 50.78	n/a	n/a	\$ 3.25	\$ 9.53
COM	ORG	1 YD		2	\$ 129.67	\$ 103.72	n/a	n/a	\$ 6.50	\$ 19.45
COM	ORG	1 YD		3	\$ 194.50	\$ 155.57	n/a	n/a	\$ 9.75	\$ 29.18
COM	ORG	1 YD		4	\$ 259.34	\$ 207.43	n/a	n/a	\$ 13.00	\$ 38.90
COM	ORG	1 YD		5	\$ 324.17	\$ 259.29	n/a	n/a	\$ 16.25	\$ 48.63
COM	ORG	1 YD		6	\$ 389.00	\$ 311.15	n/a	n/a	\$ 19.50	\$ 58.35
COM	ORG	2 YD		1	\$ 126.46	\$ 100.99	n/a	n/a	\$ 6.50	\$ 18.97
COM	ORG	2 YD		2	\$ 257.99	\$ 206.29	n/a	n/a	\$ 13.00	\$ 38.70
COM	ORG	2 YD		3	\$ 386.98	\$ 309.43	n/a	n/a	\$ 19.50	\$ 58.05
COM	ORG	2 YD		4	\$ 520.71	\$ 416.60	n/a	n/a	\$ 26.01	\$ 78.11
COM	ORG	2 YD		5	\$ 644.96	\$ 515.71	n/a	n/a	\$ 32.51	\$ 96.74
COM	ORG	2 YD		6	\$ 773.96	\$ 618.86	n/a	n/a	\$ 39.01	\$ 116.09

Roll-off Rates										
Sector	Service	Size	Vol	Freq	Total Rate	Operating Component	Disposal Component	Recycling Processing Component	Organics Processing Component	Fee Component
RO	MSW	10 YD		ea.	\$ 267.55	\$ 227.41	n/a	n/a	n/a	\$ 40.13
RO	MSW	20 YD		ea.	\$ 385.50	\$ 327.68	n/a	n/a	n/a	\$ 57.83
RO	MSW	30 YD		ea.	\$ 503.46	\$ 427.94	n/a	n/a	n/a	\$ 75.52
RO	MSW	40 YD		ea.	\$ 621.42	\$ 528.21	n/a	n/a	n/a	\$ 93.21
COMP	MSW	ANY		ea.	\$ 932.15					
RO	MSW	1 TN		ea.	\$ 60.88	n/a	\$ 51.75	n/a	n/a	\$ 9.13
RO	REC	10 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
RO	REC	20 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
RO	REC	30 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
RO	REC	40 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
COMP	REC	ANY		ea.	\$ 300.61					
RO	REC	1 TN		ea.	\$ (35.29)	n/a	n/a	\$ (30.00)	n/a	\$ (5.29)
RO	ORG	10 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
RO	ORG	20 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
RO	ORG	30 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
RO	ORG	40 YD		ea.	\$ 200.41	\$ 170.35	n/a	n/a	n/a	\$ 30.06
RO	ORG	1 TN		ea.	\$ 35.29	n/a	n/a	n/a	\$ 30.00	\$ 5.29
RO	C&D	10 YD		ea.	\$ 267.55	\$ 227.41	n/a	n/a	n/a	\$ 40.13
RO	C&D	20 YD		ea.	\$ 385.50	\$ 327.68	n/a	n/a	n/a	\$ 57.83
RO	C&D	30 YD		ea.	\$ 503.46	\$ 427.94	n/a	n/a	n/a	\$ 75.52
RO	C&D	40 YD		ea.	\$ 621.42	\$ 528.21	n/a	n/a	n/a	\$ 93.21
RO	C&D	1 TN		ea.	\$ 60.88	n/a	n/a	\$ 51.75	n/a	\$ 9.13

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**Exhibit G-3  
Additional Allowable Charges**

<b>Single-Family Customers</b>	
Extra <b>GARBAGE</b> on Regular Collection Day - Sheet of Ten (10) Stickers	Monthly 32-gallon Garbage Rate on January 1 <sup>st</sup> of each year, divided by 4, multiplied by 10.
Extra <b>GARBAGE</b> on Regular Collection Day - Standing Order	Monthly 32-gallon Garbage Rate in the month collected, divided by 4.
Extra <b>YARD TRIMMINGS</b> on Regular Collection Day - Sheet of Ten (10) Stickers	50% of the monthly 32-gallon Garbage Rate on January 1 <sup>st</sup> in the calendar year purchased, divided by 4, multiplied by 10.
Extra <b>YARD TRIMMINGS</b> on Regular Collection Day - Standing Order	50% of monthly 32-gallon Garbage Rate in the month collected, divided by 4.
Yard Trimmings Monthly <b>SERVICE FEE</b>	50% of the monthly Garbage gallon equivalent.
Recyclable Material Monthly <b>CART RENTAL Fee</b>	\$3.00 per month
Cart <b>REPLACEMENT Fee</b>	\$60.00 per Cart
Cart <b>RE-DELIVERY Fee</b> or <b>RE-START Fee</b>	\$25.00 per vehicle trip
<b>NON-SCHEDULED Collection Go-Back or Trip Charge</b>	\$19.00 per trip
Recyclable Materials <b>CONTAMINATION Fee</b>	25% of the subscribed monthly Garbage gallon equivalent per event.
Yard Trimming Materials <b>CONTAMINATION Fee</b>	25% of the subscribed monthly Garbage gallon equivalent per event.
<b>Multi-Family &amp; Commercial Customers</b>	
Extra <b>GARBAGE</b> on Regular Collection Day.	32-gallon Garbage Rate divided by 4.
<b>NON-SCHEDULED Collection Go-Back or Trip Charge</b>	25% of the regular 1x/week monthly container service fee by container size.
Cart Charges - <b>DIFFICULT TO SERVICE</b>	\$1.00 per "complete action" per month, per Cart.
Bin Charges <b>DIFFICULT TO SERVICE</b>	\$3.00 per "complete action" based on monthly service level.
Recyclable Materials <b>CONTAMINATION Fee</b>	25% of the 1x/week monthly Garbage container volume equivalent service fee.
Organic Materials <b>CONTAMINATION Fee</b>	25% of the 1x/week monthly Garbage container volume equivalent service fee.
<b>LOCKING BIN</b> Installation Charge	\$50.00 per installation.
Bin <b>SWAP - Cleaning and/or Repainting</b>	\$75.00 per bin, regardless of commodity type or bin size.
<b>Bulky Item Collection</b>	
<b>BULKY ITEM - Each</b> Recyclable/Reusable	\$20.00 Per Item
<b>BULKY ITEM - Each</b> Non-Recyclable/ Non-Reusable	\$25.00 Per Item
<b>BULKY ITEM - Event</b>	\$30.00 Per Event
<b>Roll-off Services</b>	
<b>Covered Box</b>	\$75.00 additional charge per pull
<b>Driver Time</b>	\$110.00 per hour, prorated on a per minute basis
<b>Dryrun and/or Relocation Fee</b>	\$75.00 per occurrence per box
<b>Extra Days</b>	\$25.00 per day

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May 5, 2016

Mr. Layne Long  
 City Manager  
 City of Marina

*Sent via E-mail*

**Subject: Review of GreenWaste Recovery's 2016/17 Rate Request**

*Reference Number: S5014*

Dear Mr. Long:

HF&H Consultants, LLC (HF&H) was retained by the Monterey Regional Waste Management District (District) to assist with a review of GreenWaste Recovery's (GWR) request for an adjustment to customer rates, effective July 1, 2016, submitted to the City of Marina (City) on March 27, 2016. This report presents our findings and recommendations.

## EXECUTIVE SUMMARY

Our review of the rate request has determined that the rates have been calculated in accordance with procedures in Exhibit E1 of the Franchise Agreement between the City and GWR commencing May of 2015 (Agreement). This approach results in different percentage rate adjustments for each individual level of service. GWR expressed concern about messaging and customer incentives related to such an adjustment and offered two alternative approaches to adjusting rates that avoid their concerns. Both approaches are based on the rate adjustment methodology prescribed in Exhibit E1, but use a weighted average to determine a single percentage adjustment for all rates or for each sector (i.e. residential, commercial, roll-off). Section 8.2.D of the Franchise Agreement allows the City and GWR to adjust relationship of rates without an Amendment to the Contract, subject to mutual agreement.

HF&H recommends approving either the "All Customer" percentage adjustment or the "Sector Based" percentage adjustments illustrated in the table below. New rates should become effective on July 1, 2016.

	Marina	
	All Customer	Sector Based
Residential	3.0%	1.5%
Commercial Solid Waste		3.6%
Commercial Recycling		
Commercial Food Waste		
Roll Off		2.8%

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## BACKGROUND

In 2012, the City, participating with other members of the Monterey Regional Waste Management District, issued a competitive request for proposals for collection services and entered into the new Agreement with GWR effective July 1, 2015. The Agreement provides for the following, related to the adjustment of rates:

- No change in initial rates, as proposed, until July 1, 2016.
- Rates are to be adjusted annually throughout the term of the agreement, using various inflationary indices, actual tonnage, and changes in the tipping fees at the Monterey Regional Waste Management District, unless either the City or GWR request a cost-based review (as defined in Exhibit E2 to the franchise agreement).
- The City and GWR may mutually agree upon alternative approaches to structuring rates without amendment to the agreement (Section 8.2.D)

## RATE CALCULATION REVIEW

### HF&H Scope of Work

HF&H performed this review of the rate request in accordance with Exhibit E1 of the Agreement. These procedures included:

1. A review of GWR's rate request for completeness and compliance with the procedures contained in Exhibit E1 of the Agreement.
2. A review of GWR's rate request for mathematical accuracy and logical consistency to determine that the rate request is mathematically correct, that the rows and columns of numbers add down and across as intended, and that the stated assumptions were, in fact, used. Also, to determine that the rate request is internally consistent and that any summary schedules agree to the supporting schedules and worksheets.
3. Verification of the inclusion of the franchise fee calculation in the adjustment.
4. Verifying contract compliance with regard to:
  - A) The indices used in the adjustment;
  - B) The weighting of those indices;
  - C) The tip fees reported for the disposal/processing components of the rates;
  - D) The use of quarterly-reported tonnage data and allocations among agencies. A detailed audit of tonnage and allocations of tonnage reported by GWR was not a part of this scope of work. HF&H discussed GWR's allocation methodology with them and the methodology appears reasonable and consistent with standard practices within the industry.

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E) Any changes in governmental fees on the fee component of the rates; and, the accurate application of the resultant percentage changes in the various rate components to the rate schedules approved by each agency through the franchise agreements.

### Review of Rate Request

There are three rate components to GWR's rate request: 1) calculation and application of the Operating Component Factor (OCF) as prescribed in the Agreement; 2) the respective disposal and/or processing component of each rate; and, 3) the Agency Franchise Fee.

There are three indices used to determine the OCF: the CPI, the fuel index, and the labor index. The annual percent change in each of the indices used to calculate the OCF are described in the table below.

The GWR rate schedule documents the calculation of the annual percentage change and the weighting factors used for each index and then calculates the final OCF of 3.5% for the City.

	Index %	Weighting %	*Weighted Index
Labor Costs (ECI)	2.0%	26.9%	0.5%
Fuel Costs	26.2%	4.7%	1.2%
Other Costs (CPI)	2.6%	68.4%	1.8%
TOTAL		100%	3.5%

\*Numbers may not calculate exactly due to rounding

The disposal and processing component(s) are based on the difference between the City's actual tonnage by material type and what was proposed by GWR in their initial proposal to the City. The disposal and processing components also consider the tipping fee charged by the Monterey Regional Waste Management District, however no tipping fee changes have occurred, nor are any proposed for the upcoming year. The following table describes the changes in the City's tonnage for each material type.

	GWR Proposal	Annualized Actual Year 1 Tonnage	% Change in Tonnage
Solid Waste	8,743.3	9,271	6%
Recycling	1,828.3	2,110	15.4%
Yard Trimmings	1,782.7	885.8	-50.3%
Food Waste	829.3	21.4	-97.4%
C&D	892.2	1,052.8	18%

The final step of the rate adjustment process is to ensure that the fee component of each rate matches the contractual percentage of 15% for fees remitted to the City by GWR.

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### Review of Weighted Average Adjustment

The approach described in Exhibit E1 of the agreement results in different percentage adjustments to each rate category. This modifies the relationship of each rate category to each other rate category, potentially impacting certain rate incentives designed into the initial rate structure. These differences also make messaging about the rate adjustment to customers more nuanced and challenging. GWR proposed, and the City expressed interest in, alternative approaches that would either: create a common percentage rate adjustment for all customers; or, adjust rates by a common percentage for all customers within a given sector (i.e. single-family, multi-family/commercial, and roll-off). GWR's proposed approach achieves the common percentage by calculating a weighted average (weighted on revenue) of the percentage rate adjustments within a sector or across the customer base. The table below illustrates: 1) the range of rate adjustments resulting from the calculations included in Exhibit E1; 2) the sector-based weighted average rate adjustment; and, 3) the weighted average rate adjustment for all customers.

	<b>Marina</b>		
	<b>1 - Contract Exhibit E1 Method</b>	<b>2 - Sector Weighted Average</b>	<b>3 - Weighted Average</b>
Residential	(0.6)-2.8%	1.5%	3.0%
Commercial Solid Waste	3.9-4.2%	3.6%	
Commercial Recycling	1-1.8%		
Commercial Food Waste	(2.7)-(1.7)%		
Roll Off	3.5%	2.8%	

\* \* \* \* \*

We would like to express our appreciation to GWR staff for their timeliness, assistance, and cooperating in this process. Should you have any questions, please call me at 925/977-6959 or [rchilton@hfh-consultants.com](mailto:rchilton@hfh-consultants.com).

Very truly yours,  
 HF&H CONSULTANTS, LLC

Rob Hilton  
 Vice President

May 14, 2016

Item No. **5a**

Honorable Mayor and Members  
of the Marina City Council

City Council Meeting  
of May 24, 2016

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2016-,  
AMENDING THE RATE ADJUSTMENT CALCULATION OF THE  
FRANCHISE AGREEMENT WITH GREENWASTE RECOVERY  
UTILIZING A SECTOR SPECIFIC UNIFORM PERCENTAGE  
ADJUSTMENT IN LIEU OF THE MULTI-INDEX CALCULATION.**

**REQUEST:**

It is requested that the City Council consider:

1. Adopting Resolution No. 2016- amending the rate adjustment calculation of the franchise agreement with GreenWaste Recovery utilizing a sector specific uniform percentage adjustment in lieu of the multi-index calculation.

**BACKGROUND:**

On August 19, 2014 the City Council adopted Resolution No. 2014-98 and entered into a new exclusive 15 year Franchise Agreement with GreenWaste Recovery (GRW) to provide solid waste, recycling, and organics collection services for the City of Marina. The Agreement provides for automatic annual rate adjustments for GWR's services calculated following either a multi-index rate adjustment methodology or a cost-based rate adjustment methodology described in ("EXHIBIT A").

The cost-based adjustment involves an extensive and detailed review of GWR's actual cost of operations, changes in inflation, the number of customers, and the service level provided and comparing this to actual gross receipts collected to determine GWR's compensation for the current rate period and to forecast the future rates. The cost to perform this review is estimated at \$50,000 - \$100,000 (which cost would be passed onto the rate payer) and was anticipated to be conducted after the first three to five years into the contract.

The rate adjustment for the 2016/2017 fiscal year was conducted using the multi-index methodology. The Agreement stipulates that the City of Marina shall make a good faith effort to approve the accuracy of the calculated rates by June 1 of each year, and such rates shall be effective on each subsequent July 1. This allows noticing all customers of rate increases. If rates are not effective by July 1 due to a delay caused solely by the City of Marina, GWR may retroactively bill customers for the amount of the rate increase.

**Multi-index Rate Adjustment Methodology**

Each service level rate in the Franchise Agreement rate schedule is comprised of an operating component, disposal/processing component and a fee component. The annual rate adjustment consists of adjusting each of the rate components as follows:

**Operating Component Factor:**

- Labor Component: Labor costs from the prior year are adjusted by the annual percentage change in the Employment Cost Index (ECI)
- Fuel Component: Fuel costs from the prior year are adjusted by the actual volume of fuel purchased in the prior year and the annual percentage change in the Fuel Index
- Other Component: Non labor/fuel related costs from the prior year are adjusted by the

annual percentage change of the Consumer Price Index (CPI)

Disposal/Processing Component: This component is automatically adjusted as a direct pass-through based on MRWMD fees and the City's prior year's tonnages by material type. GWR credits \$40.00/ton for recyclable materials, therefore the Recyclable Materials processing credit adjusts annually based on the prior year's tonnage, with no change to the per ton rate.

The disposal and processing component(s) are based on the difference between the City's actual tonnage by material type and what was proposed by GWR in their initial proposal to the City. The disposal and processing components also consider the tipping fee charged by the Monterey Regional Waste Management District, however no tipping fee changes have occurred, nor are any proposed for the upcoming year. The following table describes the changes in the City's tonnage for each material type.

Fee Component: This component is a direct pass through of Franchise fees, calculated as a percent of the total rate by service level.

### **ANALYSIS:**

Prior to April 1, 2016 GWR provided the City, by way of HF&H Consultants (who represents the City), with the annual rate adjustment calculation following the multi-indexed based methodology. This methodology results in each service level rate adjusting independently based on its rate components. The methodology was developed and implemented in the Franchise Agreement as a way to minimize and/or eliminate rate subsidization.

Despite the well-intended methodology of the multi-indexed approach, it created a problem from a practical standpoint by adjusting each service level rate by a different percentage. There are five different rate categories (Residential, Commercial Solid Waste, Commercial Recycle, Commercial Organics and Roll-off) and a total of 158 rates within these five categories. "**EXHIBIT B**" is the current rate schedule approved with the Franchise Agreement.

The proposed rate increase fluctuated between 0.6 % to 4.2%. The adjustment of each rate independently would have modified the relationship of each rate category to other rate categories, potentially impacting certain rate incentives designed into the initial rate structure to encourage conservation, and presents other obstacles, such as:

- Difficulty explaining to ratepayers and the general public why each service level adjusted by a different percentage.
- Difficulty providing notice to ratepayers of the rate adjustment as each service level's previous rate, percentage adjustment and new rate would need to be included within the notice.
- Unstable economic savings year-over-year from changes in service, wherein a customer may have right-sized their services to the least expensive combination of services to reduce their overall bill that may no longer be the least expensive combination following a rate adjustment.

To resolve this issue, the City requested that HF&H review an alternative rate adjustment calculation methodology which would provide a common percentage for all customers combined or would provide a sector based percentage adjustment within a given sector: residential, commercial, and roll-off. This approach results in residential, commercial, and roll-off customers each receiving a different percentage adjustment based on their share of the overall business within the City. "**EXHIBIT C**" is an executive summary from HF&H reporting the findings of these two approaches.

The following table illustrates the adjustment percentage from the three different approaches:

	Current Contract Percentage	Sector Weighted Average	Common Weighted Average
Residential	0.6 – 2.8%	1.5%	3.0%
Commercial Solid Waste	3.9 – 4.2%	3.6%	3.0%
Commercial Recycling	1-1.8%	3.6%	3.0%
Commercial Organics	1.7 – 2.7%	3.6%	3.0%
Roll-off	3.5%	2.8%	3.0%

The common 3.0% single adjustment would apply to all rates across the entire rate base, regardless of their share of the overall service. This alternative would result in increasing sector-to-sector subsidies.

Staff is recommending the sector based adjustment be used for calculating rates for 2016/2017 and at a later date an actual amendment to the Franchise Agreement will be brought back to the Council for approval.

Exhibit A – Exhibit E of Franchise Agreement providing Rate Adjustment Methodology  
 Exhibit B – Exhibit G3 of Franchise Agreement providing initial approved rates  
 Exhibit C – Letter from HF&H providing alternate rate adjustment methodology

**FISCAL IMPACT:**

The FY2016/2017 proposed rate adjustment would have no effect on City expenses, as this is a cost to the rate payers. The Franchise Agreement has a 15% franchise fee of gross receipt. Any rate increase provides a corresponding increase in franchise fee revenue.

**CONCLUSION:**

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

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Layne Long  
 City Manager  
 City of Marina