

Memorandum

Date: October 28, 2015

To: Deidra Dingman,
Contra Costa County
Department of Conservation and Community Development

From: Erik Nylund,
Crowe Horwath LLP

Subject: 2016 Richmond Sanitary Services Base Year Rate Review -
Enhanced Services per Second Amendment to the
Franchise Agreement and Exhibit F

Background:

RSS's Application included costs (primarily labor and additional vehicles and vehicle maintenance) associated with providing the required new enhanced services in accordance with the Post-Collection Agreement negotiated between RecycleMore and Republic Services in 2014. Enhanced services included shifting from bi-weekly to weekly residential recycling and organics collection; providing commercial organics collection, and providing commercial dry routing services.

RSS made an adjustment in its 2016 Application to reduce RSS's total operating costs by \$295,598 (shown on line 12 of the Application). This \$295,598 reflects the actual cost of providing enhanced services tied to the Post Collection Agreement with RecycleMore and Republic Services. The company agreed that over the course of the County's franchise term, the costs of providing these enhanced services would be segregated. Costs that RSS incurs for providing these services as well as the revenue derived from the Enhanced Services Rate Adjustment are not to be factored into rate setting.

Crowe Tests:

- 1) We verified that the \$295,598 credit for the cost of enhanced services shown on Line 12 tied to (\$1 difference due to rounding) the costs detailed in the WCC County column in the schedule on page 2 of this memorandum.
- 2) We verified that RSS projected 2016 costs of providing enhanced collection services is consistent with the 2015 costs (\$295,598).
- 3) We verified that RSS did not include the portion of its residential revenues associated with enhanced collection services within page 1 of the Application (i.e., line 16). This enhanced services revenue amount equaled \$200,079.60 for the residential sector (see attached schedule on the page 3 of this memorandum).

Conclusion***Net Impact:***

[No change to the 2016 revenue requirement]

RSS Enhanced Collection Services Cost Analysis

Cost Summary for Base Year 2014

Base Year Cost Allocation						
Description of Cost	Richmond 48.0%	Hercules 12.9%	Pinole 11.0%	San Pablo 10.2%	WCC County 17.9%	Total 100.0%
Labor - Regular	\$ 249,255	\$ 66,977	\$ 57,035	\$ 53,135	\$ 92,965	\$ 519,368
Labor - Overtime	46,586	12,518	10,660	9,931	17,375	97,071
Benefits	127,740	34,325	29,230	27,231	47,643	266,169
Payroll Taxes	22,632	6,081	5,179	4,825	8,441	47,158
1. Total Direct Labor	\$ 446,213	\$ 119,902	\$ 102,103	\$ 95,122	\$ 166,424	\$ 929,765
2. Total Tipping Fees (Profit Allowed)						\$ -
Bank fees						-
Bonus Pay Corporate						-
Collection fees						-
Computer Services						-
Consulting and Professional Fees						-
Dues and Subscriptions						-
Insurance	32,130	8,634	7,352	6,849	11,984	66,950
Laundry and Uniforms	1,872	503	428	399	698	3,900
Management Fees/Corporate Overhead						-
Miscellaneous and Other						-
Office Expense						-
Office repair and maintenance						-
Outsource Billing						-
Postage						-
Public Relations and Promotion						-
Relocation and Recruiting						-
Sales and Marketing Misc.						-
Taxes and Licenses						-
Telephone						-
Travel						-
Utilities						-
3. Total Corporate and Local General and Administrative Costs	\$ 34,002	\$ 9,137	\$ 7,780	\$ 7,248	\$ 12,682	\$ 70,850
Depreciation - Buildings						\$ -
Depreciation - Office Furniture and Equipment						-
Depreciation - Vehicles						-
Depreciation - Containers						-
Depreciation - Equipment						-
Other Operating Costs						-
4. Total Depreciation and Other Operating Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5. Total Services Provided to City						\$ -
6. Total Allowable Costs (Lines 1 + 2 + 3 + 4 + 5)	\$ 480,216	\$ 129,039	\$ 109,884	\$ 102,371	\$ 179,106	\$ 1,000,615
7. Total City Administration Fee						
Equipment Rental (Truck Leasing)	\$ 137,497	\$ 36,947	\$ 31,462	\$ 29,311	\$ 51,282	\$ 286,500
Gas and Oil	102,986	27,673	23,565	21,954	38,411	214,589
Parts	18,717	5,029	4,283	3,990	6,981	39,000
Repair and Maintenance	36,079	9,695	8,256	7,691	13,457	75,178
Tires	7,199	1,934	1,647	1,535	2,685	15,000
Other	9,862	2,650	2,257	2,102	3,678	20,550
8. Total Trucking and Equipment	\$ 312,341	\$ 83,929	\$ 71,470	\$ 66,584	\$ 116,494	\$ 650,817
9. Total Tipping Fees (Pass Through)						
10. Total Residential/Commercial/Light Industrial Franchise Fees						
11. Total Pass Through Costs (Lines 7 + 8 + 9 + 10)	\$ 312,341	\$ 83,929	\$ 71,470	\$ 66,584	\$ 116,494	\$ 650,817
12. Total Costs (Lines 6 + 11)	\$ 792,556	\$ 212,968	\$ 181,354	\$ 168,955	\$ 295,599	\$ 1,651,432

Ms. Deidra Dingman
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Contra Costa County - Unincorporated

Base Year Rate Change Application

Single Family Residential Revenues Summary

Section X -- Single Family Residential Revenues and Customer Counts					
			2016 Base Year Revenues	Enhanced Service Adjustment	
Single Family Residential Revenues (w/o Rate Change in Base Year)					
	Current Rate/Month	Projected Accounts	Total ^{aj}	Rate	
35 Gallon Container	23.04	7,970	2,203,546	1.67	159,718.80
65 Gallon Container	44.59	518	277,171	3.11	19,331.76
95 Gallon Container	66.26	67	53,273	4.66	3,746.64
20 Gallon Mini-Can	20.95	1,516	391,122	0.95	17,282.40
60. Total Base Year Single Family Residential Revenues		10,071	\$ 2,915,112		200,079.60
				Adjusted Revenue \$ 2,715,032.88	