

November 20, 2015

Ms. Deidra Dingman
Conservation Programs Manager
Contra Costa County
Department of Conservation and Community Development
30 Muir Road
Martinez, California 94553-4601

Subject: Final Report - Review of 2016 Allied Waste Systems, Inc. Rate Application

Dear Ms. Dingman:

This letter report represents results of Crowe Horwath LLP's (Crowe) review of the 2016 rate application submitted by Allied Waste Systems, Inc. (AWS) to Contra Costa County (County). AWS (a subsidiary of Republic Services, Inc.) provides refuse and recycling collection services in unincorporated Central Contra Costa County.

This letter report is organized into eight (8) sections as follows:

- A. Summary
- B. Project Background
- C. Goals and Objectives of Rate Review
- D. Scope of Rate Review
- E. History of Collection Rates
- F. 2016 Base Year Rate Application
- G. Review of 2016 Base Year Rate Application
- H. Comparison of Rates and Services to Other Neighboring Jurisdictions.

There are five (5) attachments to this report, as follows:

- A. Rate Application and Audited Financial Statements
- B. Adjusted Base Year Rate Model
- C. Comparative Rate Survey
- D. Costs for Shift to Weekly Curbside Recycling Services
- E. Costs for Mandatory Commercial Recycling Program.

A. Summary

This rate review includes two options we will address in this report:

- (1) Option 1 – Assumes New/Enhanced Service Levels and an Increase in County Franchise Fees from 5% to 7% of Gross Revenues¹
- (2) Option 2 – Expands Option 1 to Include a Shift from Bi-Weekly to Weekly Curbside Recycling Collection.

¹ Note that Option 1 incorporated all of the new services already approved by the County Board of Supervisors in conjunction with the First Amendment to the Franchise Agreement.

In its Application, AWS requested a rate increase of 33.5 percent for 2016 for Options 1 and 2 combined. **Table 1** below shows our recommended rate increase for Option 1 which would provide AWS the target profit level allowed by the Rate Manual. **Table 2** shows the recommended rate increase for Option 2. Under Option 1 at current service levels, our recommended residential rates would increase by 28.8 percent, or between \$3.50 and \$8.87 per customer, per month, depending on the residential service level. With the addition of the new Option 2 program, recommended residential rates would increase by 34.7 percent, or between \$4.22 and \$10.67 per customer, per month, depending on the residential service level.

Table 1
Unincorporated Contra Costa County
Option 1 – Various Expanded Services and Increase to 7% Franchise Fee
Potential Residential Collection Rates, Per Customer, per Month
(January 1, 2016)

Recommended Rate Increase with Current Service Levels and 7% Franchise Fee (+28.8%)			
Service Level	2015 Collection Rate	Rate Increase	2016 Collection Rate
20 Gallon	\$12.15	\$3.50	\$15.65
32 Gallon	\$15.90	\$4.59	\$20.49
64 Gallon	\$23.70	\$6.84	\$30.54
96 Gallon	\$30.75	\$8.87	\$39.62

Table 2
Unincorporated Contra Costa County
Option 2 – Represents Option 1 Plus Shift from Bi-Weekly to Weekly Recycling
Residential Collection Rates, Per Customer, per Month
(January 1, 2016)

Recommended Rate Increase with New Services and 7% Franchise Fee (+34.7%)			
Service Level	2015 Collection Rate	Rate Increase	2016 Collection Rate
20 Gallon	\$12.15	\$4.22	\$16.37
32 Gallon	\$15.90	\$5.52	\$21.42
64 Gallon	\$23.70	\$8.23	\$31.93
96 Gallon	\$30.75	\$10.67	\$41.42

B. Project Background

AWS operates under an exclusive franchise with the County to collect, and remove for disposal and recycling, residential, commercial, and light industrial solid waste, recyclable materials, and green waste (organics). On August 1, 1995, the County signed a twenty (20) year franchise agreement with Pleasant Hill Bayshore Disposal (PHBD), a predecessor company to AWS. The County then approved an assignment of this franchise agreement from PHBD to Allied Waste Industries, Inc. (now a Republic Services company) on February 2, 1999.

On July 21, 2015, the County approved the First Amendment to the Franchise Agreement which extended the franchise term another ten (10) years through July 31, 2025. For purposes of this 2016 Rate Application, the County requested AWS to include the following nine (9) new and/or enhanced services, which were agreed to as part of the First Amendment, within the 2016 Rate Application:

Option 1

- 1) Increase the franchise fee paid by AWS to the County from 5 percent to 7 percent of gross revenues
- 2) Implement the mandatory commercial recycling program with (a) outreach and education related to mandatory commercial recycling (effective August 1, 2015) and (b) a commercial recycling notification. Provide assistance and support to maximize commercial diversion programs, including but not limited to performing commercial waste assessments (effective September 1, 2015)
- 3) Eliminate the separate commercial recycling charge
- 4) Commercial organics (foodwaste) collection
- 5) Compost residential and commercial collected greenwaste rather than use for ADC
- 6) Residential bulky household item collection (2 per year, per resident)
- 7) Residential household battery, compact fluorescents (CFL), and plastic bag recycling (effective September 1, 2015)
- 8) Provide 20% of a recycling coordinator's position
- 9) Right of way and abatement projects (on-call bin/box service for specific County abatement projects)
- 10) Increase community clean-up boxes (6 additional for a total of 16, 20-yard debris boxes)

Option 2

- 11) Residential weekly non-organics recycling (shift from bi-weekly to weekly recycling) (effective January 1, 2016)²

The AWS franchise includes the following ten (10) service areas in unincorporated Contra Costa County (**Exhibit 1** on the following page shows locations of these service areas):

1. Alhambra Valley (portion)
2. Bay Point (Eastern, portion)
3. Canyon
4. Clayton
5. Clyde/Concord (unincorporated areas)
6. Morgan Territory
7. Martinez (unincorporated)/Pacheco/Vine Hill
8. Pleasant Hill (unincorporated areas)
9. Antioch (unincorporated areas)
10. Cummings Skyway (portion).

² Unless another date is approved by the Director or his designee.

Exhibit 1
Unincorporated Contra Costa County
Map of Allied Waste Systems Service Areas



AWS consolidates refuse collected from unincorporated County areas at the Contra Costa Transfer & Recovery Station in Martinez, California and transports refuse to Keller Canyon Landfill (located in unincorporated Contra Costa County) for disposal. Recyclables are transported to, and processed by a non-related party, at the Pacific Rim Recycling facility in Benicia California.

AWS also provides curbside recycling service services to unincorporated County areas. AWS accepts the following recyclable material types:

- Aluminum (cans, foil, and trays)
- Aerosol cans
- Cardboard
- Compact fluorescents (CFLs) in sealed zip lock bags)
- Glass bottles, jars, beverage and food containers
- Household batteries (in zip lock bags)
- Mixed paper (books, catalogs, cereal and shoe boxes, chipboard, copy paper, computer paper, junk mail/envelopes, white/colored paper, magazines, paper bags, and telephone books)
- Newspaper
- Office paper
- Organics
- Paint cans
- Plastic bags

- Plastic bottles (types #1 through #7), soda and water bottles, milk and juice jugs and bottles
- Scrap metal
- Scrap plastics
- Steel and tin food and beverage cans.

Residential customers commingle all of their recyclable materials into one 64-gallon or 96-gallon cart. AWS currently collects residential curbside recyclables bi-weekly. AWS takes recyclable materials to the Pacific Rim facility where they are separated on a Materials Recovery Facility (MRF) sort line.

C. Goals and Objectives of Rate Review

The Manual specifies that the primary goal of the rate setting process and methodology is to determine fair and equitable residential refuse collection charges that provide a reasonable profit level to AWS. Fairness is demonstrated through a rigorous review of AWS's actual revenues and expenses. Residential charges also must be justifiable and supportable.

Rate setting is prospective. The County sets rates in advance of when actual results occur. The County must therefore base rates on careful projections.

To set rates, the County reviews trends in prior, current, and projected revenues, costs, and profits. The County sets rates that are intended to cover AWS's costs of operations and allow a reasonable profit.

The County uses the operating ratio (OR) method to project the profit level allowed to AWS in a base year. The actual OR level received by AWS in a base year, and in subsequent interim years, is not however, guaranteed.

D. Scope of Rate Review

The County based the scope of work for this review on the requirements in the Manual. The base year process has eleven (11) steps, seven (7) of which are the County's responsibility. AWS is responsible for the other four (4) steps.

Crowe, as the Consultant, provided assistance to the "County" for six steps in the rate review process (#2, #3, #5, #6, #9, and #10). We carefully reviewed and analyzed the 2016 rate application. We conducted our review in accordance with procedures described in the Manual. We completed the following activities during our review:

- Verified the application was complete³
- Determined data presented in the application were mathematically correct and consistent
- Reviewed the reconciliation of calendar year 2014 financial information provided in the application to the 2014 financial audit
- Compared actual 2014 results with estimated 2015 and projected 2016 financial results
- Analyzed significant historical fluctuations in major cost categories
- Examined the relationships between financial and operating information for reasonableness
- Reviewed AWS franchise fees payments to the County
- Presented a survey of rates in other similar neighboring communities.

Crowe submitted a formal data request to AWS on August 27, 2015. Crowe received AWS responses on September 18, 2015. Crowe met with AWS management on October 16, 2015, to ask remaining follow-up questions, and provide AWS with an opportunity to provide additional context regarding the rate application.

³ We submitted a letter of completeness to AWS on August 5, 2015.

E. History of Collection Rates

Rate changes, since the County adopted the Manual in 1998, increased on a compounded basis by between 0.79 and 1.5 percent per year over the seventeen years since 1998, and are shown in **Table 3**.

Table 3
Unincorporated Contra Costa County
Historical Allied Waste Service Residential Refuse Collection Rate Changes
(1998 to 2015)

Year	Percent Change in Rate
1998	+ 2.5 to 14.5 percent depending on the service level (base year)
2001	+ 3.3 percent (interim year)
2003	- 5.0 percent (base year)
2004	+ 2.6 percent (interim year)
2005	+1.7 percent (interim year)
2006	+ 3.3 percent (interim year)
2007	+5.5 percent (interim year)
2008	0.0 percent (base year)
2009	New variable rate structure (interim year)
2010 to 2015	No rate changes

The County conducted the last base year rate review of AWS in 2012. In its 2012 rate application, AWS requested a 2.03 percent rate increase. Results of this rate review conducted by R3 Consulting Group, recommended a rate decrease of 10.20 percent. This report was dated April 3, 2012. The County did not implement a rate reduction at that time and rates remained stable. The rate surplus resulting from the 2012 rate review provided a “credit” to offset subsequent interim year rate increases allowed by the Rate Manual, and generated a source of funding to help offset other new program costs.

AWS residential rates have not changed since 2009 (commercial rates increased by 0.95 percent in 2011). The consumer price index for the San Francisco-Oakland-San Jose area has increased by approximately 17 percent since 2009 and has increased by approximately 13 percent since 2011.

F. 2016 Base Year Rate Application

The County received AWS’s Base Year Rate Change Application (Application) on July 10, 2015. A copy of the Application is provided in **Attachment A**, at the end of this report. AWS used year-to-date information (i.e., first quarter) to estimate 2015 financial results. Year 2016 results are entirely projected in the Application.

AWS requested a 33.53 percent rate increase effective January 1, 2016 (for combined Options 1 and 2). This request corresponds to a \$5.33 per customer, per month, increase in the 32 gallon rate, the most common County service level.

Our review did not represent a financial audit of AWS. Hood & Strong LLP completed a 2014 financial audit of all AWS operations, including the County (under the name Republic Services of Contra Costa County, provided in Attachment A). For purposes of preparing the 2014 cost data for the Application, AWS allocated unincorporated County costs from total audited AWS costs.

G. Review of 2016 Base Year Rate Application

This section details findings from Crowe’s review of AWS’s 2016 Application. We identified the impact of each finding in terms of a dollar value increase or a decrease in the 2016 “revenue requirement” identified in the Application. The revenue requirement is the amount of revenue that AWS needs to collect, through rates charged to customers, to cover costs of providing the service plus a reasonable financial return. Increasing the revenue requirement will result in an increase in rates, and decreasing the revenue requirement will result in a decrease in rates.

Crowe reviewed the Application for consistency with the Manual, County policies, and waste management industry practices. In our review of AWS financial results, we compared year-to-year changes in revenues and costs for reasonableness and solicited explanations from AWS for material changes. We examined actual results from 2014, estimated results for 2015, and projected results for 2016. Our adjusted rate model is provided in **Exhibit B-1, of Attachment B.**

1. AWS Financial and Operating Results Since the 2012 Base Year

In **Table 4**, we compare County approved rate changes with changes in residential revenues and residential accounts. Residential revenues decreased 3.6 percent between 2012 and 2014. The decrease is mainly due to customer downsizing of containers (waste volumes declined 2.3 percent during this time). Offsetting this downsizing effect, the number of residential accounts increased 4.2 percent between 2012 and 2014.

Table 4
Unincorporated Contra Costa County
Comparison of Residential Rate Increases with Changes in Residential Revenues and Accounts (2012 to 2014)

Year	Rate Increases	Change in Residential Accounts	Change in AWS Residential Collection Revenues
2012 to 2014	0.0%	4.2%	-3.6%

In **Table 5**, we compare County approved commercial and light industrial rate changes with changes in commercial and light industrial service revenues and tons. From the time series, we find that there was no change to rates between 2012 and 2014, while commercial and light industrial tonnage increased by 6.4 percent.

Even with this increase in commercial tons, total commercial revenues declined by 0.6 percent. The increase in tonnage came from the light industrial (debris box) activity which also experienced an increase in revenues. Offsetting this industrial sector revenue increase were material reductions in commercial bin service revenues caused by customers downsizing their service levels.

Table 5
Unincorporated Contra Costa County
Comparison of Commercial and Light Industrial Rate Increases with Changes in Commercial and Light Industrial Waste Revenues and Tonnage (2012 to 2014)

Year	Rate Increases	Change in Commercial and Light Industrial Tons	Change in AWS Commercial and Light Industrial Collection Revenues
2012 to 2014	0.0%	6.4%	-0.6%

For the above comparison, in addition to rate changes, we used the number of accounts as a proxy for changes to residential revenues while we used tonnage as a proxy for changes to commercial revenues. Tonnage is often more applicable for the commercial sectors as businesses are more inclined, than the residential sector, to adjust their service level based on tonnage changes. However, we found that as

residential accounts increased, residential tonnage decreased indicating residential customers reduced their service levels between 2012 and 2014.

Between 2012 and 2014, total AWS unincorporated County revenues decreased while costs increased, as shown in **Table 6**. AWS costs increased 0.8 percent, while AWS revenues decreased 1.23 percent. During this same 2012 to 2014 period, AWS's actual operating ratio ranged from 93 to 97 percent.⁴

Table 6
Unincorporated Contra Costa County
Change in AWS Revenues and Costs
(2012 to 2014)

Description	Percent Change
Revenues	-1.23%
Costs	0.8%

2. Method for Allocating AWS Costs to County Areas

AWS directly assigned revenue to each unincorporated County area. AWS's billing system coded revenue by the jurisdiction in which the customer lives. Typically customers are billed in advance of services provided. AWS recognized revenue in the month earned.

Table 7 below, shows methods used by AWS to allocate consolidated AWS costs to unincorporated County areas. AWS allocated nearly all consolidated costs to unincorporated County areas using tonnage.

Table 7
Unincorporated Contra Costa County
Methodology Used by AWS to Allocate Consolidated AWS Costs to the County

Cost	Allocation Method
<i>Direct Expenses</i>	
Direct labor	Labor Hours
Disposal Fees	Direct
Franchise Fees	Direct
<i>Indirect Expenses</i>	
Corporate Overhead	Tonnage (by sector)
Depreciation	Tonnage (by sector)
General and Administrative	Tonnage (by sector)
Interest Expense	Tonnage (by sector)
Other Operating Expense	Tonnage (by sector)
Professional Fees	Tonnage (by sector)
Supervisory	Tonnage (by sector)

AWS determined tonnage for each service area using a combination of three internal reports (1) Daily Disposal Reports, (2) Route Analysis Report, and (3) Service History Report. AWS runs each report monthly to allocate costs by route and jurisdiction: the number of lifts, the number of operating hours and the number of tons. Daily Disposal Reports identify the total tonnage for each route delivered to the

⁴ The County's target operating ratio during base years is 90 percent. A larger operating ratio represents a smaller than expected return.

transfer station per month. The Route Analysis Report identifies monthly operating hours by route. The Service History Report tracks the number of monthly lifts per customer for each route. AWS allocates costs using two different methods with data from the three internal reports:

- Method one, used to allocate total direct labor costs, takes total monthly operating hours by route and allocates hours to specific jurisdictions based on the percentage of lifts per route. The percentage of operating hours for each jurisdiction is then applied to the corresponding month's costs.
- Method two, used to allocate total corporate & local general & administrative and total trucking and equipment costs, uses disposal volumes to allocate costs. The allocation is based on the yards per lift from each route using data from specific jurisdictions.

The tonnage allocation method is acceptable to allocate AWS costs to unincorporated County areas as the method is consistent with waste management industry practice. Pooled costs that AWS allocated to each jurisdiction, using tonnage, also generally do not vary between jurisdictions.

As shown in **Table 8**, we examined total unincorporated County financial results against a basic operating metric of tonnage to determine reasonableness. How total unincorporated County figures compared with an operating metric such as tonnage was more relevant than area specific costs and revenues because rates are set based upon AWS's revenue requirement for total unincorporated County operations. We found these comparisons to be relatively consistent between financial results and tonnage.

Table 8
Comparison of County's Revenues and Expenses with Tonnage
(Calendar Year 2014)

Description	County	Audited AWSCC Financial	Percent of Total
Total Revenues	\$2,421,576	\$71,955,129	3.4%
Direct Labor	\$542,436	\$13,392,766	4.1%
Tipping Fees	\$434,388	\$14,196,051	3.1%
Trucking and Equipment	\$312,087	\$8,672,017	3.6%
Total Costs	\$2,359,065	\$58,606,388	4.0%
Total Tonnage	9,032.7	250,908	3.6%

AWS has transactions with related parties. These transactions required careful scrutiny and are identified in **Table 9**.

Table 9
Allied Waste Services
Related Party Transactions

Cost Element	Related Party
Transfer	Contra Costa Transfer and Recovery
Landfill disposal	Keller Canyon Landfill

3. Review of AWS Revenues, Costs, and Profits for Option 1

In addition to reviewing the Application for changes in revenues, costs, and profits of existing ongoing AWS operations, we verified that reasonableness of the costs associated with the list of new programs and services described in the "Services Provided to the County" section below.

This section describes our review of each revenue, cost, and profit category. We identify various adjustments to the Application. The revenue requirement is equal to the sum of the following:

- Total allowable costs
- Allowable operating profits
- Total pass through costs.

AWS's requested County revenue requirement (Option 1 and 2), as submitted in the Application, is \$3,175,340. This figure is shown on line 30 of the Application in Attachment A.

i. Revenues

Residential Revenues

AWS projected no change in residential revenues between 2015 and 2016. AWS indicated in its Application that residential accounts decreased a modest 0.4 percent in 2015. AWS expects residential accounts to remain at 2015 levels in 2016.

We obtained AWS's most current projection of residential revenue data and accepted this data for the 2016 projection. With this most recent residential revenue data we increased residential revenues (after bad debt) by \$6,852 from \$853,596 in the Application to \$860,483 (before the adjustment for bad debt).

Net Impact:

[Decrease in the 2016 revenue requirement of \$6,852]

Commercial and Light Industrial Revenues

AWS projected no change in commercial and light industrial revenues between 2015 and 2016. Commercial and light industrial revenues dipped in 2014, but in general have been relatively stable since 2012.

We annualized year to date commercial and light industrial revenues (using data through August 2015, prior to the removal of the charges for commercial recycling collection revenues) based on data provided by the company and data reconciled to revenue data reported to the County. This resulted in annualized commercial and light industrial revenues of \$1,625,164.

We then adjusted this figure by the removing the projected loss in commercial recycling collection revenues for 2016. The commercial recycling collection revenue data was obtained from the company for the January to August 2015 period. Based on data provided by the company, the estimated annualized loss in commercial recycling revenues in 2016 is \$86,372. This resulted in projected 2016 commercial and light industrial collection revenues (before bad debt) of \$1,538,792 (\$1,625,164 less \$86,372).

Net Impact:

[Decrease in the 2016 revenue requirement of \$21,418]

ii. Costs

Escalation Factor

Because 2016 is a projection year, we assumed certain AWS costs would increase at a rate equal to the most recent change in the Consumer Price Index for the San Francisco-Oakland-San Jose area (all items, all urban consumers). We historically have used the CPI change from August to August for purposes of determining interim year adjustments and projecting costs. The August 2014 to August 2015 this CPI increased 2.59 percent (259.917 – 253.354)/253.354).

Where inflation was used, we adjusted the Application to reflect this 2.59 percent CPI compared to the 2.50 percent CPI used by AWS in its Application. Consistent with how we treat interim year rate adjustments (i.e., those between base years) in the Manual, we recommended that the County use this 2.59 percent escalation factor to project AWS inflationary expenses for 2016.

Direct Labor

AWS projected labor costs to increase 4.0 percent for both 2015 and 2016. The increase is based on anticipated costs associated with a new union agreement, currently under negotiation. The projected 4.0 percent increase in labor costs for 2016 is consistent with previous 2015 increases to hourly wages and benefits (including health and welfare and pension). Based on our experience with recent local area union labor agreements, an annual estimate for increases in wages and benefits of 4.0 percent is reasonable.

Net Impact:

[No change to the 2016 revenue requirement]

Tipping Fees (Profit Allowed)

Tipping fees charged to County ratepayers reflect costs of operating the Contra Costa Solid Waste Transfer Station and Recovery (CTTR) and the costs of the Keller Canyon Landfill. The rate charged to AWS franchised customers at this facility is \$86.85 per ton in 2016.

Tipping fees are allowed with profit up to \$43.08 per ton. Amounts above \$43.08 per ton are treated as a pass-through expense. The Manual specifies a cap on tipping fees allowed with profit at \$43.08 per ton. Tipping fees in excess of \$43.08 per ton are treated as a pass through expense.

We determined that the tonnage for 2015 included in this calculation equaled 10,532. This tonnage was inclusive of 9,033 tons of refuse (shown as waste tonnage on the Application) and 1,500 tons of greenwaste. This tonnage was based on annualizing six months of year to date 2015 tonnage data. There is a projected increase in refuse tonnage by approximately 434 tons (5 percent) from 2014 which is equally spread across all of the sectors (residential, commercial, and industrial).

Tipping fees projected in the Application for 2016 were \$891,824. Of this total, the Application specifies \$453,726 of these fees as an allowable expense with profit and \$438,098 as a pass through expense. We recommend that the County use this \$891,824 in tipping fees for 2016.

Net Impact:

[No change to 2016 revenue requirement]

Corporate and Local General and Administrative Costs

The Manual specifies a cap on corporate and local general and administrative costs equal to 13.2 percent of the total revenue requirement. Projected 2016 corporate and local general and administrative costs of \$291,299 are approximately 10 percent of the revenue requirement and within the cap guideline. We allowed a 2.59 percent increase in this category for 2016 compared to the 2.5 percent in the Application, resulting in an increase of \$239 in the revenue requirement.

Net Impact:

[Increase in the 2016 revenue requirement of \$239]

Trucking and Equipment Costs

AWS projected an increase in trucking and equipment costs of 2.5 percent based on their estimate of for inflation. Projected trucking and equipment costs are reasonable and consistent with the prior costs for this category. We adjusted this cost for the 2.59 percent inflation escalation, resulting in an increase of \$289 in the revenue requirement.

Net Impact:

[Increase in the 2016 revenue requirement of \$289]

Depreciation and Other Operating Costs

Consistent with the waste management industry, we recommend that the County disallow amortization of franchise purchases. The operating ratio is designed to provide a return to the hauler sufficient to compensate AWS for its investment in the business. We reduced the revenue requirement by the estimated amount of amortization for 2016 of \$15,576 based on the historical average level of amortization included in AWS costs. Additionally, we allowed the 2.59 percent versus 2.50 percent inflationary adjustment.

Net Impact:

[Decrease in the 2016 revenue requirement of \$15,319]

Services Provided to County

AWS included the costs to implement the mandatory commercial recycling program. AWS included costs, consistent with agreed upon figures in Exhibit F of the Franchise Agreement, supporting the addition of a mandatory commercial recycling program in conjunction with Assembly Bill 341 (see **Attachment E**, including a portion of a Recycling Coordinator position). This program was phased in September 1, 2015. We reviewed and verified that these costs are fully reflected in the individual cost categories within the 2016 projection.

AWS included the following new/enhanced services in the Services Provided to County line item for the projection year 2016:

- *County On-call illegal dumping removal from Right-of Way (ROW) and On-Call Abatement Project Debris Removal:* We included an annual cost capped at \$13,000 for these County requested services
- *Compost Source Separated Organics* rather than use as ADC: Minor incremental increase in labor and vehicle costs based on additional miles traveled to West County facility rather than Keller Canyon
- *Commercial Organics/Food Waste Collection:* Projected increase in costs of \$73,622 for the program. The program has an assumed start date of April 1 in order to ensure shared truck/equipment cost with City of Martinez and incorporate the incremental cost increase allocated to the County franchise area. There was no cost for this program included in the Application.
- *Provide two on call bulky household items pickups per customer, at no charge*
- *Provide 16, 20-yard debris boxes for the community clean-up program*
- *Provide curbside collection of household batteries, plastic bags, and compact fluorescent bulbs.*

We made an adjustment to the Application to reduce the combination of County ROW/on-call abatement costs to a maximum annual amount of \$13,000 and add a cost to account for AWS funding County HHW operations. The average HHW program cost for 2013 and 2014 was \$6,625. **Table 10** summarizes the new costs included for each program for 2016.

Net Impact:

[Increase to the 2016 revenue requirement of \$75,188]

Franchise Fees

The County franchise agreement with AWS specifies that the County can establish an amount equal to “a percentage of Contractor’s [AWS’s] Gross Annual Revenues” with the “amount, time and frequency of payment of such fees established by the County.”

The franchise fee paid by AWS to the County is currently equal to five (5) percent of gross revenues. The County is considering a franchise fee of seven (7) percent of gross revenues. Gross revenues include all residential, commercial, and light industrial refuse and recycling revenue. Franchise fees are a pass through expense which do not earn profit.

A summary of historical franchise fee payments made by AWS to the County is provided in **Table 11**. Amounts included in AWS’s Application, AWS detailed records, and in County records are very similar and the differences are considered immaterial and likely due to accounting versus payment timing differences.

AWS included a franchise fee of seven (7) percent for the 2016 projection. We made adjustments to the franchise fee based on the other findings noted above that modified the revenue requirement.

Net Impact:

[Increase in the 2016 revenue requirement of \$5,051]

Table 10
Allied Waste Services
Costs of New/Enhanced Services
(Projection Year 2016)

Description	In Original Application	Allowed Increase in Allowable Costs
County On-call illegal dumping removal from Right-of Way (ROW) and On-Call Abatement	\$20,000	\$13,000
Compost source separated organics (rather than use as ADC)	0	1,941 ⁵
Commercial Organics/Food Waste Collection	0	73,622
Provide two on call bulky household items pickups per customer, at no charge	5,000	5,000
Provide a total of 16, 20-yard debris boxes for the community clean-up program (an additional 10 boxes)	3,500	3,500
Provide curbside collection of household batteries and compact fluorescent bulbs	12,000	12,000
Subtotal	\$40,500	\$109,063
HHW Program Costs (Paid to County)	0	\$6,625
Total	\$40,500	\$115,688
Adjustment		\$75,188

⁵ There is an additional amount of \$7,765 which has been included in direct labor costs.

Table 11
Allied Waste Systems
Comparison of Franchise Fees Paid to County
(2013, 2014 and 2015)

Year	Application	AWS Payment Records	County Reports
2013	\$	\$120,559	\$120,559
2014	\$128,736	\$120,364	\$120,355
2015 (Through Sept)	N/A	\$102,291	\$99,026

iii. Profits

Total allowable costs for the projection year 2016 are \$2,201,272. The Manual specifies that should the operating ratio for the base year fall between 88 percent and 92 percent, rates would remain unchanged in the base year.

Table 12 shows the operating ratio calculation for 2016. Without any changes to rates, the company would receive an operating ratio of 125.3 percent. In accordance with the Manual, because this operating ratio falls outside the 88 to 92 percent range, rates are reset for a 90 percent operating ratio.⁶

The operating ratio calculation is as follows:

Operating Ratio (OR) =

Total Allowable Costs

Total Allowable Costs + Allowable Operating Profit

The OR calculation is shown in **Table 13**, following Table 12. We calculate allowable profit of \$244,586, at the allowable 90 percent operating ratio.

Net Impact:

[Increase to the 2016 revenue requirement of \$6,711]

Table 12
Allied Waste Services
Calculation of Actual Operating Ratio
(Projection Year 2016)

Description	Amount
Total Revenues (line 21)	\$ 2,412,524
Less Total Allowable Costs (line 7)	(2,201,272)
Less Franchise Fees (line 23)	(217,072)
Less Pass-Through Costs (line 11)	(438,098)
Equals Profits (Loss) (with adjustments and no rebasing)	(\$443,918)
Operating Ratio (with adjustments and no rebasing)	$\$2,201,272 / (\$2,201,272 - \$443,918) = 125.3\%$

⁶ Source: Rate Setting Manual, page I-14.

Table 13
Allowable Profit Calculation
(Projection Year 2016)

Description	Amount
(Total Allowable Costs / Operating Ratio)	(\$2,201,272/90 percent) - \$2,201,272
– Total Allowable Costs	
= Allowable Operating Profit	= <u>\$244,586</u>

With the company's profit level rebased to 90 percent, we recommend a rate increase of 28.8 percent for Option 1. This is shown in the Crowe Adjusted 2016 column of Exhibit B-1 in Attachment B.

4. Review of Additional AWS Revenues, Costs, and Profits for Option 2

Evaluation of Proposed New Service Changes

We verified that reasonableness of the costs of the following new program below:

- *Shift from bi-weekly to weekly curbside recycling services* – Currently, unincorporated County residential customers receive bi-weekly curbside recycling services. AWS submitted information supporting the impact of shifting to a weekly curbside recycling program. The increase in the revenue requirement from this program is \$140,056 per year. Further details are provided in **Attachment D**.

Net Impact:

[No change to the 2016 revenue requirement]

With the company's profit level rebased to 90 percent, we recommend a rate increase of 34.7 percent for Option 2. This is shown in the Crowe Adjusted w/Weekly Program 2016 column of Exhibit B-1 in Attachment B.

5. Components of Residential Rates

There are a number of cost components which are included in residential rates. Using the 32-gallon residential cart rate as an example, the pie chart in **Figure 1** shows the major components of the projected 2016 rates, and the relative costs of each component. Line item references are made to the Application. **Table 14** shows that the components of the single can rate have remained relatively stable over time since 1998. Cost categories are described below:

- **Direct Labor** includes compensation of the waste removal staff, including regular time, overtime, payroll taxes, and associated benefits. This category corresponds to Direct Labor (Line 1) of the Application.
- **Tipping Fees** include all charges for the disposal of solid waste at a landfill or transfer station, which are currently set at \$86.85 per ton. A cap on the allowable expense portion of tipping fees is set at \$43.08 per ton. The remaining fees between \$43.08 and \$86.85 per ton treated as are a pass-through expense. These tipping fees also include transportation costs from the transfer station to the landfill. This category corresponds to Tipping Fees with Profit (Line 2) and Tipping Fees (Pass-Through) (Line 11) of the Application.
- **Corporate and Local General and Administrative Costs** include accounting, office space rental, utilities, office supplies, legal services, insurance, postage, etc. for AWS. These costs are identified as Corporate and Local General and Administrative Costs (Line 3), Services Provided to County (Line 6), and County Administrative Fees (Line 10) of the Application.
- **Trucking and Equipment** includes depreciation and leases of trucks, fuel expense, licenses, parts, tires, and associated repair and maintenance expenses. These costs are identified as

Trucking and Equipment (Line 4) and Depreciation and Other Operating Costs (Line 5) of the Application.

- **Profit** is any revenue which exceeds expenses (total allowable costs plus total pass-through costs). The operating ratio method is used to determine allowable profit, as discussed in the profit analysis section of this report. Profit is shown in Line 9 of the Application.
- **County's Franchise Fee** is 7.0 percent of total residential/curbside recycling, commercial, and light industrial revenues. Franchise fees are shown in Line 23 of the Application.

Figure 1
Components of Rate
(Projection Year 2016)

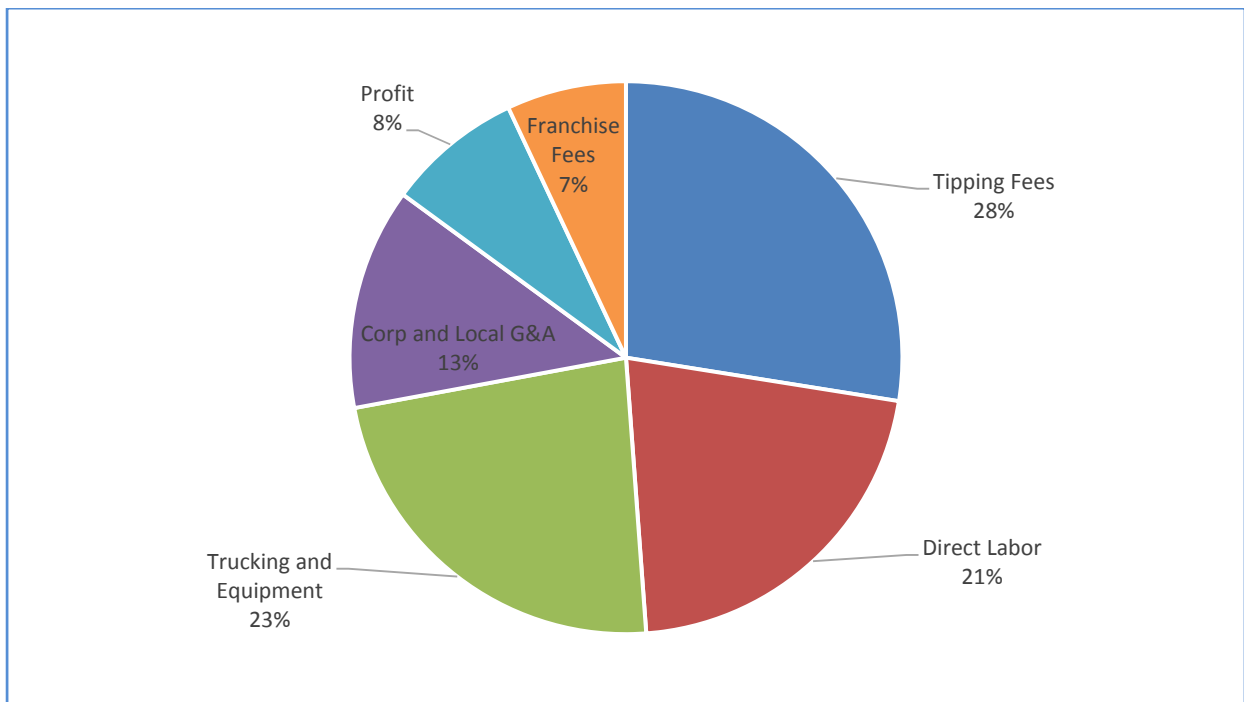


Table 14
Components of Single Can Rate Over Time
(1998 to 2016)

Description	1998	2002	2008	2012	2016
Tipping Fees	31%	29%	30%	23%	28%
Direct Labor	21%	24%	21%	23%	21%
Trucking and Equipment	21%	21%	24%	23%	23%
Corporate and Local G&A	13%	12%	11%	12%	13%
Profit	9%	9%	9%	14%	8%
Franchise Fees	5%	5%	5%	5%	7%

H. Comparison of Rates and Services to Other Neighboring Jurisdictions

Recommended 2016 Allied/Unincorporated County rates for Option 1 were compared with survey data from other County franchise areas and a sample of neighboring jurisdictions. Results of the survey are summarized in **Attachment C. Tables C-1** through **C-3** show how recommended 2016 Allied/County Option 1 rates compare to the average of the other incorporated and unincorporated areas surveyed.

In Table C-1, we compare the Allied/Unincorporated County residential rates with averages of the other franchise areas surveyed. Compared to the other franchise areas, proposed 2016 Allied/County residential rates for Option 1 were significantly below the average for all service levels. The proposed rates are between 29 percent and 39 percent below the average of other unincorporated franchise areas, and between 26 percent and 41 percent below the average of the incorporated areas surveyed.

For the commercial (bin) sector, as shown in Table C-2, County rates under Option 1 also were significantly below the average rates in other franchise areas. Rates ranged from 14 percent to 31 percent below the average of other unincorporated franchise areas surveyed, and between 28 percent and 31 percent below the average of the incorporated areas surveyed.

For the 20 cubic yard industrial (debris box) rate, as shown in Table C-3, County rates under Option 1 were 28 percent below the average of surveyed jurisdictions. This comparison is based on a representative two (2) ton load.

Attachment A: Rate Application and Audited Financial Statements

Attachment A includes the 2016 Base Year Rate Change Application (Application) submitted by AWS to the County July 10, 2015. In the Application, AWS proposed to increase unincorporated County collection rates by 33.53 percent on January 1, 2016. The Application included the following forms:

- Financial information
- Cost summary for year 2014
- Revenue summary
- Single family residential revenues summary (including current rates and accounts)
- Operating information
- Rate change requested (including current and proposed rates).

Information provided in the Application was for the following five (5) years:

- Actual prior years, 2012 to 2014 (including audited 2014 results)
- Current year estimated, 2015
- Base year projected, 2016.

Attachment A also includes the 2014 audited financial statements submitted by AWS (now referred to as Republic Services of Contra Costa County) on July 1, 2015 to the County. Hood and Strong LLP, a certified public accountant, prepared the audited financial statements. The audit opinion is unqualified. In **Table A-1**, below, we reconcile the difference in total AWS costs in the 2014 audit, with total AWS costs shown on page 2 of 6 of the Application.

Table A-1
Allied Waste Systems (Republic Services of Contra Costa County)
Reconciliation of Total AWS Costs on Audited Financial Statement to Rate Application
(Calendar Year 2014)

Description	Amount
Audited AWS financial statement costs (consolidated for all operations)	\$58,606,372
Plus difference due to rounding	16
Equals total AWS costs in Application (row 42, page 2 of 6)	\$58,606,388

Additionally, Hood & Strong provided a supplemental schedule of operations (page 17 of the audit) that includes financial information for unincorporated Contra Costa County alone. This was in addition to the consolidated audited financial statements for AWS. We reconciled this data to the Application in **Table A-2** on the following page.

Table A-2
Allied Waste Systems (Republic Services of Contra Costa County)
Reconciliation of AWS Unincorporated County Costs
(Provided in Supplemental Schedule Included with Audited Financial Statement)
To Costs in Rate Application
(Calendar Year 2014)

Description	Amount
Operating costs included in supplemental schedule to audited financial statements (unincorporated County operations only)	\$2,357,844
Plus difference due to rounding	1,221
Equals total AWS unincorporated County costs in Application (row 42, page 2 of 6)	\$2,359,065

**Base Year
Rate Change Application**

Financial Information

Actual Historical Years			Estimated Current Year	Projected Base Year
Year 1	Year 2	Year 3	Year 4	Year 5
2012	2013	2014	2015	2016

Section I - Allowable Costs

1. Direct Labor	502,525	509,939	542,436	564,134	694,723
2. Tipping Fees (Profit Allowed)	410,173	419,113	434,338	453,726	453,726
3. Corporate and Local General and Administrative Costs	318,358	234,453	257,793	270,091	295,843
4. Trucking and Equipment	308,964	286,229	312,087	321,325	437,305
5. Depreciation and Other Operating Costs	274,477	280,077	282,655	285,322	341,288
6. Services Provided to City			-	-	40,500
7. Total Allowable Costs (Lines 1+2+3+4+5+6)	1,814,498	1,729,812	1,829,310	1,894,597	2,263,385

Section II - Allowable Operating Profit

8. Operating Ratio	92.9%	93.5%	97.4%	97.4%	90.0%
9. Allowable Operating Profit [(Line 7 / Line 8) - Line 7]	139,164	120,735	48,473	50,203	251,487

Section III - Pass Through Costs without Franchise Fees

10. Administrative Fee	-	-	-	-	-
11. Tipping Fees (Pass Through)	341,525	370,470	401,019	444,247	438,194
12. Total Pass Through costs (without Franchise Fees) (Lines 10+11)	341,525	370,470	401,019	444,247	438,194

Section IV - Revenue Requirement without Franchise Fees

13. Total Allowable Costs (Line 7) plus Allowable Operating Profit (Line 9) plus Total Pass Through Costs (without Franchise Fees) (Line 12)	2,295,188	2,221,017	2,278,802	2,389,048	2,953,066
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Section V - Revenue without Rate Change in Base Year

14. Residential Revenue					853,596
15. Less Allowance for Uncollectible Residential Accounts					4,268
16. Total Residential Revenue (without Rate Change in Base Year)	887,029	841,785	855,466	853,596	849,328
17. Commercial and Light Industrial Revenue					1,517,266
18. Less Allowance for Uncollectible Commercial and Light Industrial Accounts					7,586
19. Total Commercial/Light Industrial Revenue (without Rate Change in Base Year)	1,526,468	1,492,460	1,517,266	1,517,266	1,509,680
20. Recycled Material Sales	38,268	35,168	48,843	24,629	25,245
21. Total Revenue (Lines 16+19+20)	2,451,764	2,369,413	2,421,576	2,395,492	2,384,253

Section VI - Net Shortfall (Surplus)

22. Net Shortfall (Surplus) without Franchise Fees (Line 13 - Line 21)					568,813
23. Residential/Commercial/Light Industrial Franchise Fees (see calculation below)	120,799	116,898	128,736	150,820	222,274
24. Net Shortfall (Surplus) with Franchise Fees (Line 22 + 23)					791,086

Section VII - Percent Change in Rates

25. Total Residential/Commercial/Light Industrial Revenue Prior to Rate Change (Lines 16 + 19)					2,359,008
26. Percent Change in Existing Residential/Commercial/Light Industrial Rates (Line 24 / Line 25)					33.53%

Franchise Fee Calculation

Equation 1) Line 13 X .10 = X	2016
Equation 2) Line 13 + X	
X = (Line 13 x 0.10) / 0.9C	222,274

Summary Revenue Requirement

27. Total Allowable Costs (Line 7)	2,263,385
28. Allowable Operating Profits (Line 9)	251,487
29. Total Pass Through Costs (with Franchise Fees) (Line 12+23)	660,467
30. 2016 Revenue Requirement (Lines 27+28+29)	3,175,340
Franchise Fee Rate	7.00%

**Base Year
Rate Change Application**

Cost Summary for Year 2014

Section VIII - Base Year Cost Allocation						
Description of Cost	County	Non-CCCSWA and Non-County	CCCSWA Areas	Audited AWSCCC Financial	Allocation Bases(s)	
Labor - Regular (Includes Benefits & Taxes)	542,436	7,555,857	5,294,473	13,392,766	Labor Hours	4%
Labor - Overtime (Includes Benefits & Taxes)					Labor Hours	
Benefits					Labor Hours	
Payroll Taxes					Labor Hours	
31. Total Direct Labor	542,436	7,555,857	5,294,473	13,392,766	Labor Hours	
32. Total Tipping Fees (Profit Allowed)	434,338	7,351,450	6,410,263	14,196,051	Tonnage	3.1%
Accounting	257,793	3,932,491	2,902,563	7,092,847	Tonnage	
Computer Services					Tonnage	
Dues and Subscriptions					Tonnage	
Insurance					Tonnage	
Laundry					Tonnage	
Legal					Tonnage	
Management Fees (Corporate/Region OH)					Tonnage	
Miscellaneous and Other					Tonnage	
Non-Deductible					Tonnage	
Office Expense					Tonnage	
Operating Supplies					Tonnage	
Outside Services					Tonnage	
Public Relations and Promotion					Tonnage	
Taxes and Licenses					Tonnage	
Telephone					Tonnage	
Travel					Tonnage	
Utilities					Tonnage	
33. Total Corporate and Local G&A Costs	257,793	3,932,491	2,902,563	7,092,847	Tonnage	
Equipment Rental					Tonnage	
Gas & Oil					Tonnage	
Insurance					Tonnage	
Parts					Tonnage	
Repair and Maintenance					Tonnage	
Tires					Tonnage	
Other	312,087	4,253,337	4,106,593	8,672,017	Tonnage	3.60%
34. Total Trucking and Equipment	312,087	4,253,337	4,106,593	8,672,017	Tonnage	
Depreciation - Buildings					Tonnage	
Depreciation - Vehicles	193,749	3,001,363	769,548	3,964,660	Tonnage	
Depreciation - Containers					Tonnage	
Other Operating Costs	88,907	686,121	512,777	1,287,804	Tonnage	
35. Total Depreciation and Other Operating Costs	282,655	3,687,484	1,282,325	5,252,464	Tonnage	
36. Total Services Provided to City					Direct	
37. Total Allowable Costs (Lines 31+32+33+34+35+36)	1,829,310	26,780,618	19,996,217	48,606,145	N/A	
38. Total City Administrative Fee					N/A	
39. Total Tipping Fees (Pass Through)	401,019			401,019	Direct	
40. Total Residential/Commercial/Light Industrial Franchise Fees	128,736	4,843,417	4,627,070	9,599,224	Direct	
41. Total Pass Through Costs (Lines 38+39+40)	529,755	4,843,417	4,627,070	10,000,243	N/A	
42. Total Costs (Lines 37 + 41)	2,359,065	31,624,035	24,623,287	58,606,388	N/A	
Completed 7/10/15						

**Base Year
Rate Change Application**

Revenue Summary

Section IX - Revenue

	Actual			Estimated Current Year	Projected Base Year
	Historical Years				
	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016
Single Family Residential Service					
43. Single Family Residential Revenue (Base Year from Page 4 of 6)	887,029	841,785	855,466	853,596	853,596
Multiunit Residential Service (all contained within the Single Family Service)					
44. Number of Accounts					
45. Multunit Residential Revenue					
46. Residential Revenue (w/o Allowance for Uncollectible Accounts)(Line 43+45)	887,029	841,785	855,466	853,596	853,596
47. Allowance for Uncollectible Accounts	4,435	4,209	4,277	4,268	4,268
48. Total Residential Revenue (Line 46 + Line 47)	882,594	837,576	851,189	849,328	849,328
Commercial and Light Industrial Can Service					
49. Number of Accounts	100	101	95	95	95
50. Commercial and Light Industrial Can Revenues	128,650	129,987	122,343	122,343	122,343
Commercial and Light Industrial Bin Service					
51. Number of Accounts	158	159	158	154	154
52. Commercial and Light Industrial Bin Revenues	1,066,068	1,030,080	1,035,409	1,035,409	1,035,409
Commercial and Light Industrial Drop Box Service					
53. Number of Accounts	31	38	31	29	29
54. Commercial and Light Industrial Drop Box Service	331,749	332,393	359,514	359,514	359,514
55. Commercial and Light Industrial Revenue (w/o Allowance for Uncollectible Accounts) (Lines 50+52+54)	1,528,467	1,492,460	1,517,266	1,517,266	1,517,266
56. Allowance for Uncollectible Commercial and Light Industrial Accounts	7,632	7,462	7,586	7,586	7,586
57. Total Commercial and Light Industrial Revenue (Line 55 + Line 56)	1,518,835	1,484,998	1,509,679	1,509,679	1,509,679
58. Recycled Material Sales	38,268	35,168	48,843	24,629	25,245
59. Total Revenue (Lines 48+ 57+58)	2,439,696	2,357,742	2,409,712	2,383,637	2,384,253

**Base Year
Rate Change Application**

Single Family Residential Summary

Section X - Single Family Residential Revenue

Single Family Residential Revenue (without Rate Change in Base Year)		Current		Projected		Projected
		Rate	Month	Rate	Accounts	Base Year 2016
Subtotal						Total
20 GALLON CART	ALHAMBRA VALLEY	12.15		30		4,374.00
20 GALLON CART	BAY POINT	12.15		155		22,599.00
20 GALLON CART	CENTRAL SANITARY	12.15		17		2,478.60
20 GALLON CART	CONCORD	12.15		9		1,312.20
20 GALLON CART	MORGAN TERRITORY	12.15		12		1,749.60
20 GALLON CART	PACHECO	12.15		96		14,280.40
20 GALLON CART	PLEASANT HILL UNINCORPORATED	12.15				-
20 GALLON CART	CANYON	-		-		-
Subtotal				321		46,891.80
32 GALLON CART	ALHAMBRA VALLEY	15.90		103		19,652.40
32 GALLON CART	BAY POINT	15.90		702		133,941.60
32 GALLON CART	CANYON	15.90		31		7,216.80
32 GALLON CART	CENTRAL SANITARY	15.90		108		20,656.40
32 GALLON CART	CONCORD	15.90		34		6,497.20
32 GALLON CART	MORGAN TERRITORY	15.90		46		8,776.80
32 GALLON CART	PACHECO	15.90		309		58,766.40
32 GALLON CART	PLEASANT HILL UNINCORPORATED	15.90				-
32 GALLON CART / 3 EXTRA YARDWASTE CARTS	ALHAMBRA VALLEY					-
Subtotal				1,332		255,447.60
2 - 32 GALLON CARTS	MORGAN TERRITORY					-
2 - 32 GALLON CARTS	ALHAMBRA VALLEY					-
2 - 32 GALLON CARTS / 1 EXTRA RECYCLING CART	PACHECO	26.80		2		643.20
2 - 32 GALLON CARTS	PLEASANT HILL UNINCORPORATED					-
Subtotal				2		643.20
3 - 32 GALLON CARTS	ALHAMBRA VALLEY	47.70				-
Subtotal						-
64 GALLON CART	ALHAMBRA VALLEY	23.70		98		16,495.20
64 GALLON CART	BAY POINT	23.70		517		147,034.80
64 GALLON CART	CANYON	22.57		7		1,895.88
64 GALLON CART	CENTRAL SANITARY	23.70		79		22,467.60
64 GALLON CART	CONCORD	23.70		24		6,875.60
64 GALLON CART	MORGAN TERRITORY	23.70		94		18,201.60
64 GALLON CART	PACHECO	23.70		262		74,512.80
64 GALLON CART	PLEASANT HILL UNINCORPORATED	23.70				-
Subtotal				1,011		287,433.48
2-64 GALLON CARTS	ALHAMBRA VALLEY	40.40		2		969.60
2-64 GALLON CARTS	CONCORD	40.40		2		969.60
2-64 GALLON CARTS	MORGAN TERRITORY	40.40		1		484.80
Subtotal				5		2,424.00
96 GALLON CART	ALHAMBRA VALLEY	30.75		51		18,819.00
96 GALLON CART	BAY POINT	30.75		335		123,615.00
96 GALLON CART	CANYON	25.75		1		309.00
96 GALLON CART	CENTRAL SANITARY	30.75		44		16,236.00
96 GALLON CART	CONCORD	30.75		19		7,011.00
96 GALLON CART	MORGAN TERRITORY	30.75		70		25,830.00
96 GALLON CART	PACHECO	30.75		61		22,959.00
96 GALLON CART	PLEASANT HILL UNINCORPORATED	30.75				-
Subtotal				581		214,309.00
96 GALLON CART / EXTRA YARDWASTE CART	ALHAMBRA VALLEY	35.75		4		1,716.00
96 GALLON CART / EXTRA YARDWASTE CART	CONCORD	35.75		2		858.00
96 GALLON CART / EXTRA YARDWASTE CART	MORGAN TERRITORY	35.75		2		858.00
Subtotal				8		3,432.00
96 GALLON CART / 2 EXTRA YARDWASTE CARTS	ALHAMBRA VALLEY					-
Subtotal						-
2-96 GALLON CARTS	ALHAMBRA VALLEY	54.51		13		8,503.56
2-96 GALLON CARTS	BAY POINT	54.51		19		12,428.28
2-96 GALLON CARTS	CENTRAL SANITARY	54.51		5		3,270.60
2-96 GALLON CARTS	CONCORD	54.51		2		1,309.24
2-96 GALLON CARTS	MORGAN TERRITORY	54.51		8		5,887.68
2-96 GALLON CARTS	PACHECO	56.50		2		1,286.00
Subtotal				50		32,753.76
3-96 GALLON CARTS	BAY POINT	78.27		4		3,756.96
3-96 GALLON CARTS	CONCORD	78.27		7		6,574.68
Subtotal				11		10,331.64
4-96 GALLON CARTS	BAY POINT					-
Subtotal						-
60. Total Base Year Single Family Residential				3,321		853,596.48

**Base Year
Rate Change Application**

Operating Information

Historical Unaudited Information	Percent Change	Historical Unaudited Information	Percent Change	Historical Audited Information	Percent Change	Current Year Estimated Information	Percent Change	Base Year Projected Information
Year 1	Yr 1 to 2	Year 2	Yr 2 to 3	Year 3	Yr 3 to 4	Year 4	Yr 4 to 5	Year 5
2012		2013		2014		2015		2016

Section XI - Operating Data

Accounts

61. Residential	3,268	1.6%	3,321	2.5%	3,405	-0.4%	3,390	0.0%	3,390
62. Commercial	304	-2.3%	297	13.1%	336	-9.2%	305	0.0%	305
63. Light Industrial	37	48.6%	55	-29.1%	39	7.7%	42	0.0%	42
64. Total Accounts	3,609	1.8%	3,673	2.9%	3,780	-1.1%	3,737	0.0%	3,737

Waste Tonnage

65. Residential	3,060.5	-2.7%	2,976.9	0.4%	2,989.7	4.6%	3,127.9	0.0%	3,127.9
66. Commercial	2,928.9	-4.1%	2,807.6	5.0%	2,946.9	3.2%	3,041.0	0.0%	3,041.0
67. Light Industrial	2,341.6	8.9%	2,548.8	4.4%	2,661.7	7.6%	2,863.8	0.0%	2,863.8
68. Total Tons	8,331.0	0.0%	8,333.3	3.2%	8,598.3	5.1%	9,032.7	0.0%	9,032.7

Recyclable Tonnage

69. Residential	1,891.7	-4.8%	1,801.6	3.1%	1,856.7	-2.2%	1,815.7	0.0%	1,815.7
70. Commercial	241.0	43.2%	345.2	-5.5%	326.3	-23.0%	251.2	0.0%	251.2
71. Light Industrial	454.3	112.8%	966.8	47.9%	1,430.3	-25.4%	1,067.0	0.0%	1,067.0
72. Total Tons	2,687.0	20.4%	3,113.6	16.0%	3,613.3	-13.3%	3,133.9	0.0%	3,133.9

City Services

73. City Bins	11	0.0%	11	0.0%	11	0.0%	11	81.8%	20
74. City Drop Boxes	2	0.0%	2	0.0%	2	0.0%	2	150.0%	5

Section XII - Change in Commercial Rates

75. 3 Yd. Bin - 1X per week (Central San)	229.43	0.0%	229.43	0.0%	229.43	0.0%	229.43	0.0%	229.43
76. 2 Yd. Bin - 1X per week (Central San)	155.31	0.0%	155.31	0.0%	155.31	0.0%	155.31	0.0%	155.31
77. 20 Yd. Box - per pick up (All except Canyon)	376.32	0.0%	376.32	0.0%	376.32	0.0%	376.32	0.0%	376.32

**Base Year
Rate Change Application**

Unincorporated Area: Alhambra Valley

Rate Change

78. Rate Change Requested 33.7%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
20g MSW / 64g RECY / 96g YW	12.15	16.25		16.25
32g MSW / 64g RECY / 96g YW	15.90	21.27		21.27
64g MSW / 64g RECY / 96g YW	23.70	31.70		31.70
96g MSW / 64g RECY / 96g YW	30.75	41.13		41.13
	-	-		-
20g MSW / 96g RECY / 96g YW	12.15	16.25		16.25
32g MSW / 96g RECY / 96g YW	15.90	21.27		21.27
64g MSW / 96g RECY / 96g YW	23.70	31.70		31.70
96g MSW / 96g RECY / 96g YW	30.75	41.13		41.13
	-	-		-
32g MSW (2) / 64g RECY / 96g YW	24.81	33.18		33.18
64g MSW (2) / 64g RECY / 96g YW	40.40	54.03		54.03
96g MSW (2) / 64g RECY / 96g YW	54.50	72.89		72.89
32g MSW (3) / 64g RECY / 96g YW	33.72	45.10		45.10
	-	-		-
96g MSW / 64g RECY (2) / 96g YW	32.74	43.79		43.79
	-	-		-
32g MSW / 64g RECY / 96g YW (2)	20.90	27.95		27.95
32g MSW / 64g RECY / 96g YW (4)	30.90	41.33		41.33
96g MSW / 64g RECY / 96g YW (2)	35.75	47.82		47.82
96g MSW / 64g RECY / 96g YW (3)	40.75	54.50		54.50

79. Multiunit Residential Rate increases of 33.75% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

Certificate

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: **Tim Argenti** Title: **General Manager**

Signature: _____ Date: _____

**Base Year
Rate Change Application**

Unincorporated Area: Bay Point

Rate Change

78. Rate Change Requested 33.75%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
20g MSW / 64g RECY / 96g YW	12.15	16.25		16.25
32g MSW / 64g RECY / 96g YW	15.90	21.27		21.27
64g MSW / 64g RECY / 96g YW	23.70	31.70		31.70
96g MSW / 64g RECY / 96g YW	30.75	41.13		41.13
	-	-		-
96-GAL MSW (2) / 64-GAL RECY / 96-GAL YW	54.51	72.91		72.91
96-GAL MSW (3) / 64-GAL RECY / 96-GAL YW	78.27	104.68		104.68
96-GAL MSW (4) / 64-GAL RECY / 96-GAL YW	102.03	136.46		136.46
	-	-		-
20g MSW / 96g RECY / 96g YW	12.15	16.25		16.25
32g MSW / 96g RECY / 96g YW	15.90	21.27		21.27
64g MSW / 96g RECY / 96g YW	23.70	31.70		31.70
96g MSW / 96g RECY / 96g YW	30.75	41.13		41.13
	-	-		-
96g MSW (2) / 96g RECY / 96g YW	54.51	72.91		72.91
96g MSW (3) / 96g RECY / 96g YW	78.27	104.68		104.68
96g MSW (4) / 96g RECY / 96g YW	102.03	136.46		136.46
	-	-		-
	-	-		-
	-	-		-

79. Multiunit Residential Rate increases of 33.75% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

Certificate

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: **Tim Argenti** Title: **General Manager**

Signature: _____ Date: _____

**Base Year
Rate Change Application**

Unincorporated Area: Canyon

Rate Change

 78. Rate Change Requested 18.92%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
32-GAL MSW	19.40	23.07		23.07
64-GAL MSW	22.57	26.84		26.84
96-GAL MSW	25.75	30.62		30.62
	-			-
	-			-
	-			-
	-			-
	-			-
	-			-
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	-			-
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	-			-
	-			-
	-			-
	-			-

 79. Multiunit Residential Rate increases of 18.92% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

Certificate

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: Tim Argenti	Title: General Manager
Signature:	Date:

**Base Year
Rate Change Application**

Unincorporated Area: Central Sanitary

Rate Change

78. Rate Change Requested 18.92%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
20-GAL MSW / 64-GAL RECY / 96-GAL YW	12.15	14.45		14.45
32-GAL MSW / 64-GAL RECY / 96-GAL YW	15.90	18.91		18.91
64-GAL MSW / 64-GAL RECY / 96-GAL YW	23.70	28.18		28.18
96-GAL MSW / 64-GAL RECY / 96-GAL YW	30.75	36.57		36.57
	-			-
20-GAL MSW / 96-GAL RECY / 96-GAL YW	12.15	14.45		14.45
32-GAL MSW / 9-GAL RECY / 96-GAL YW	15.90	18.91		18.91
64-GAL MSW / 96-GAL RECY / 96-GAL YW	23.70	28.18		28.18
96-GAL MSW / 96-GAL RECY / 96-GAL YW	30.75	36.57		36.57
	-			-
96-GAL MSW (2) / 64-GAL RECY (2) / 96-GAL YW (2)	61.50	73.14		73.14
96-GAL MSW (2) / 96-GAL RECY (2) / 96-GAL YW (2)	61.50	73.14		73.14
	-			-
	-			-
	-			-
	-			-
	-			-
	-			-
	-			-

79. Multiunit Residential Rate increases of 18.92% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

Certificate

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: **Tim Argenti** Title: **General Manager**

Signature: _____ Date: _____

**Base Year
Rate Change Application**

Unincorporated Area: Concord

Rate Change

78. Rate Change Requested 18.92%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
20g / 64g RECY / 96g YW	12.15	14.45		14.45
32g / 64g RECY / 96g YW	15.90	18.91		18.91
64g / 64g RECY / 96g YW	23.70	28.18		28.18
96g / 64g RECY / 96g YW	30.75	36.57		36.57
	-	-		-
64g (2) / 64g RECY / 96g YW	40.40	48.04		48.04
96g (2) / 64g RECY / 96g YW	46.30	55.06		55.06
96g (3) / 64g RECY / 96g YW	65.95	78.43		78.43
	-	-		-
96g / 64g RECY / 96g YW (2)	35.75	42.51		42.51
96g (2) / 64g RECY / 96g YW (2)	51.30	61.01		61.01
	-	-		-
20g / 96g RECY / 96g YW	12.15	14.45		14.45
32g / 96g RECY / 96g YW	15.90	18.91		18.91
64g / 96g RECY / 96g YW	23.70	28.18		28.18
96g / 96g RECY / 96g YW	30.75	36.57		36.57
	-	-		-
	-	-		-
	-	-		-
	-	-		-

79. Multiunit Residential

Rate increases of 18.92% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

Certificate

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: **Tim Argenti**

Title: **General Manager**

Signature:

Date:

**Base Year
Rate Change Application**

Unincorporated Area: Morgan Territory

Rate Change

78. Rate Change Requested 18.92%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
20-GAL MSW / 64-GAL RECY / 96-GAL YW	12.15	14.45		14.45
32-GAL MSW / 64-GAL RECY / 96-GAL YW	15.90	18.91		18.91
64-GAL MSW / 64-GAL RECY / 96-GAL YW	23.70	28.18		28.18
96-GAL MSW / 64-GAL RECY / 96-GAL YW	30.75	36.57		36.57
	-	-		-
20-GAL / 96-GAL RECY / 96-GAL YW	12.15	14.45		14.45
32-GAL / 96-GAL RECY / 96-GAL YW	15.90	18.91		18.91
64-GAL / 96-GAL RECY / 96-GAL YW	23.70	28.18		28.18
96-GAL / 96-GAL RECY / 96-GAL YW	30.75	36.57		36.57
	-	-		-
64-GAL MSW (2) / 64-GAL RECY / 96-GAL YW	40.41	48.06		48.06
96-GAL MSW (2) / 64-GAL RECY / 96-GAL YW	54.51	64.82		64.82
96-GAL MSW (2) / 64-GAL RECY (2) / 96-GAL YW	56.49	67.18		67.18
96-GAL (2) / 96-GAL RECY (2) / 96-GAL YW (2)	61.50	73.14		73.14
96-GAL (3) / 96-GAL RECY (3) / 96-GAL YW (3)	92.25	109.70		109.70
96-GAL (4) / 96-GAL RECY (4) / 96-GAL YW (4)	123.00	146.27		146.27
	-	-		-
96-GAL MSW / 64-GAL RECY / 96-GAL YW (2)	35.75	42.51		42.51
	-	-		-
	-	-		-

79. Multiunit Residential Rate increases of 18.92% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

Certificate

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: **Tim Argenti** Title: **General Manager**
Signature: _____ Date: _____

**Base Year
Rate Change Application**

Unincorporated Area: Pacheco

Rate Change

78. Rate Change Requested 18.92%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
20-GAL MSW / 64-GAL RECY / 96-GAL YW	12.15	14.45		14.45
32-GAL MSW / 64-GAL RECY / 96-GAL YW	15.90	18.91		18.91
64-GAL MSW / 64-GAL RECY / 96-GAL YW	23.70	28.18		28.18
96-GAL MSW / 64-GAL RECY / 96-GAL YW	30.75	36.57		36.57
	-	-		-
20-GAL MSW / 96-GAL RECY / 96-GAL YW	12.15	14.45		14.45
32-GAL MSW / 96-GAL RECY / 96-GAL YW	15.90	18.91		18.91
64-GAL MSW / 96-GAL RECY / 96-GAL YW	23.70	28.18		28.18
96-GAL MSW / 96-GAL RECY / 96-GAL YW	30.75	36.57		36.57
	-	-		-
32-GAL MSW (2) / 64-GAL RECY (2) / 96-GAL YW	26.80	31.87		31.87
96-GAL MSW (2) / 64-GAL RECY / 96-GAL YW	56.50	67.19		67.19
32-GAL MSW (2) / 96-GAL RECY (2) / 96-GAL YW	26.80	31.87		31.87
96-GAL MSW (2) / 96-GAL RECY / 96-GAL YW	56.50	67.19		67.19
	-	-		-
64-GAL MSW / 64-GAL RECY (2) / 96-GAL YW	25.69	30.55		30.55
	-	-		-
	-	-		-
	-	-		-
	-	-		-

79. Multiunit Residential Rate increases of 18.92% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

Certificate

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: **Tim Argenti** Title: **General Manager**

Signature: _____ Date: _____

REPUBLIC SERVICES OF
CONTRA COSTA COUNTY
(A DIVISION OF REPUBLIC SERVICES, INC.)

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULE

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

**Independent Auditors' Report,
Financial Statements and Supplemental Schedule**

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Statement of Retained Earnings	5
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Supplemental Schedule of Operations – Unincorporated Contra Costa County	18



Independent Auditors' Report

MANAGEMENT
REPUBLIC SERVICES OF CONTRA COSTA COUNTY
Pacheco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **REPUBLIC SERVICES OF CONTRA COSTA COUNTY** (a division of Republic Services, Inc.) (the Division) which comprise the balance sheet as of December 31, 2014, and the related statements of income, retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Consultants and

Business Advisors

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415.781.0793

fax 415.421.2976

60 South Market Street

Suite 200

San Jose

CA 95113

408.998.8400

fax 408.998.8485



Ms. Deidra Dingman, Conservation Programs Manager
November 20, 2015

Page 36

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Republic Services of Contra Costa County (a division of Republic Services, Inc.) as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Jose, California
June 23, 2015

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)**Balance Sheet**

December 31, 2014

Assets**Current Assets:**

Cash	\$	1,476
Accounts receivable, net of allowance for doubtful accounts of \$167,736		3,490,522
Inventory		165,067
Prepays and other assets		227,284
Total current assets		3,884,349

Restricted Cash 147,523**Property and Equipment, net** 19,679,422**Affiliated Balance with Republic Services, Inc.** 13,571,474**Other Assets, net** 2,545,418

Total assets \$ 39,828,186

Liabilities and Retained Earnings**Current Liabilities:**

Accounts payable	\$	1,003,706
Accrued salaries and wages		562,393
Accrued franchise fees		1,090,021
Contract payable		2,593,217
Deferred revenue		2,290,930
Other accrued liabilities		652,878
Total liabilities		8,193,145

Retained Earnings 31,635,041

Total liabilities and retained earnings \$ 39,828,186

See accompanying notes to the financial statements.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Statement of Income

Year ended December 31, 2014

Revenues	\$	71,955,129
Costs and Expenses:		
Cost of operations		48,250,158
Depreciation and amortization		3,964,897
Selling, general and administrative expenses		6,391,317
Total costs and expenses		58,606,372
Operating income		13,348,757
Interest Income		303
Gain from sale of equipment		57,769
Income before provision for income taxes		13,406,829
Provision for Income Taxes		5,462,961
Net income	\$	7,943,868

See accompanying notes to the financial statements.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Statement of Retained Earnings

Year ended December 31, 2014

Balance, December 31, 2013	\$ 23,691,173
Net income	7,943,868
Balance, December 31, 2014	\$ 31,635,041

See accompanying notes to the financial statements.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Statement of Cash Flows

Year ended December 31, 2014

Cash Flows from Operating Activities:		
Net income	\$	7,943,868
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation		3,790,249
Amortization		174,648
Gain on sale of property and equipment		(57,769)
Provision for doubtful accounts		11,677
Changes in operating assets and liabilities:		
Receivables		176,578
Inventory		(14,329)
Prepays and other assets		1,355,563
Restricted cash		(295)
Contract payable		1,345,638
Current liabilities		(670,519)
Net cash provided by operating activities		14,055,309
Cash Flows from Investing Activities:		
Capital expenditures		(877,215)
Proceeds on sale of property and equipment		66,688
Net cash used in investing activities		(810,527)
Cash Flows from Financing Activities:		
Repayments to Republic Services, Inc., net of advances		(13,246,237)
Net cash used in financing activities		(13,246,237)
Net Decrease in Cash		(1,455)
Cash, beginning of year		2,931
Cash, end of year	\$	1,476
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
Transfer of property and equipment from other Republic Services, Inc. divisions	\$	(52,276)

See accompanying notes to the financial statements.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

Note 1 - Nature of the Business:

Republic Services of Contra Costa County (the Division), located in Pacheco, California, is an operating division of Republic Services, Inc. (Republic).

Effective March 1, 1996, the Division entered into an agreement with the Central Contra Costa Solid Waste Authority (CCCSWA) (the Agreement) that grants it the exclusive right to collect, transport and dispose of solid waste generated within agreed-upon areas of Contra Costa County. The Agreement, which represents a significant portion of the Division's revenue, extends to February 28, 2025. Among other things, the Agreement specifies the terms and conditions of performance, rates of service and types of service to be rendered. In addition, the Agreement requires the Division to pay a franchise fee to each service area covered under the contract. The franchise fee ranges from 5% to 13.4% of all revenues generated within each service area under the Agreement. The Agreement also stipulates the Division will perform certain services for the municipalities covered under the agreement free of charge.

At the end of each calendar year, the Division reconciles the projected costs plus profit to actual results to determine whether the actual amounts are within the profit range as calculated in accordance with the Agreement. Any surplus due to CCCSWA or shortfall due to the Division (the contract payable/receivable), which represents the difference between the actual results and projected costs plus profits, is recorded in the financial statements as additional revenue and a receivable from CCCSWA or as a reduction of revenue and a liability to CCCSWA. A final surplus or shortfall calculation is required at the end of February of each year. At that time, the amount due to the Division or the amount due from CCCSWA is required to be paid. The contract payable as of December 31, 2014 was \$2,593,217.

The Division also maintains agreements with several other municipalities that grant it the exclusive right to collect, transport and dispose of solid waste generated within agreed-upon areas of the municipalities. The agreements extend to 2025. These agreements also require the Division to pay a franchise fee to each municipality. Franchise fees vary by municipality and are either a flat fee or range from 5% to 13.4% of all revenues generated within the municipality's service area.

Total franchise fee expense for the year ended December 31, 2014 was \$9,599,224 and is included in cost of operations in the statement of income.

The Division obtains financing for both capital and operating needs from Republic and is dependent upon continued financial support from Republic.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

The accompanying financial statements have been prepared to comply with the terms of the agreement with CCCSWA. They include the assets, liabilities, operating results and cash flows of the Division. The results of operations include revenues and costs directly attributable to the Division as well as allocation of certain corporate expenses based on specific allocation methods. The expense allocations have been determined on bases that the Division considers to be a reasonable reflection of the utilization of services provided or the benefit received by the Division. The financial information included herein may not reflect the financial position, and cash flows of the Division in the future or what would have resulted if the Division had operated as a separate, stand-alone entity during the period presented.

Note 2 - Summary of Significant Accounting Policies:

a. Revenue Recognition

Revenues result primarily from fees charged to customers for waste collection, transfer and disposal services. Revenue is recognized when the related services are provided at rates approved by the municipalities or by CCCSWA, as applicable.

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash

The Division considers any liquid investments with an original maturity of three months or less to be cash.

d. Restricted Cash

Under the franchise agreement with the City of Martinez, the Division is required to maintain a cash bond of \$100,000 with annual adjustment in an amount equal to the percentage changes in the CPI for the San Francisco-Oakland region. As of December 31, 2014, the restricted cash is maintained as a certificate of deposit in the amount of \$147,523. The certificate of deposit is carried at cost which approximates fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated based on the contractual terms and current rates for similar assets.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

e. Concentration of Credit Risk

Financial instruments that potentially subject the Division to concentrations of credit risk primarily consist of trade receivables. Concentrations of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Division's customer base.

f. Accounts Receivable, Net of Allowance for Doubtful Accounts

The Division does not require collateral to support customer receivables. Receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the receivables, net of the allowance for doubtful accounts, represents the net recoverable value. A receivable realization allowance is established based on the aging of receivables, payment performance factors, historical collection trends and other information. The Division also reviews outstanding balances on an account specific basis. The reserve is evaluated and revised on a monthly basis. Past due receivable balances are written-off when collection efforts have been unsuccessful.

The following table reflects the activity in our allowance for doubtful accounts for the year ended December 31, 2014:

Balance at beginning of year	\$ 156,059
Additions charged to expense	161,379
Accounts written off/recovery	(149,702)
<u>Balance at end of year</u>	<u>\$ 167,736</u>

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

e. Concentration of Credit Risk

Financial instruments that potentially subject the Division to concentrations of credit risk primarily consist of trade receivables. Concentrations of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Division's customer base.

f. Accounts Receivable, Net of Allowance for Doubtful Accounts

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The following table reflects the activity in our allowance for doubtful accounts for the year ended December 31, 2014:

Balance at beginning of year	\$ 156,059
Additions charged to expense	161,379
Accounts written off/recovery	(149,702)
<hr/>	
Balance at end of year	\$ 167,736

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

g. Fair Value Measurements

The Division classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Division's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value. At December 31, 2014, restricted cash in the amount of \$147,523 was classified as level 2.

The carrying values of the Division's financial instruments, which include cash, accounts receivable, contract payable and accounts payable, approximates fair value due to the short-term maturities of these instruments.

h. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market and consists primarily of equipment parts, materials and supplies.

i. Property and Equipment

We record property and equipment at cost. Depreciation is provided on the straight-line method over the estimated useful lives of land improvement (15 years), buildings and improvements (7 to 30 years), vehicles and equipment (3 to 12 years), and containers and compactors (7 to 15 years).

Expenditures for major renewals and betterments are capitalized, while expenditures for maintenance and repairs, which do not improve assets or extend their useful lives, are charged to expense as incurred. When property is retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in cost of operations. For the year ended December 31, 2014, the Division recognized net pre-tax gain of \$57,769 on the disposal of property and equipment.

We evaluate our long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate the carrying amount of the asset or asset group may not be recoverable.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

j. Deferred Revenue

Advance billings are recorded as deferred revenue, and revenue is recognized when services are provided, usually within 90 days.

k. Recycling Services Payable

The Division's contract with the CCCSWA requires the Division to perform the billing for recycling services provided by Valley Waste Management (VWM), a third party service provider, to customers within the service area covered under the contract. Amounts billed on behalf of VWM are accrued every three months at the time the invoices are sent to the customers and are paid in subsequent fixed monthly remittances in accordance with the rates set by CCCSWA for the current rate year. The amount is netted against deferred revenue at December 31, 2014.

l. Subsequent Events

The Division evaluated subsequent events from December 31, 2014 through June 23, 2015, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - Property and Equipment, Net:

Property and equipment, net at December 31, 2014 is as follows:

Land and improvements	\$ 1,330,157
Buildings and improvements	1,499,231
Vehicles and equipment	27,154,065
Containers and compactors	<u>7,038,095</u>
 Total property and equipment	 37,021,548
Less: Accumulated depreciation	<u>(17,342,126)</u>
 Property and equipment, net	 <u>\$ 19,679,422</u>

Depreciation expense for the year ended December 31, 2014 amounted to \$3,790,249.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

Note 4 - Commitments and Contingencies:

a. Litigation

The Division is subject to extensive and evolving laws and regulations and has implemented environmental safeguards to respond to regulatory requirements. In the normal course of conducting operations, the Division may become involved in certain legal and administrative proceedings. Some of these actions may result in fines, penalties or judgments against the Division, which may have an impact on earnings for a particular period. Litigation and regulatory compliance contingencies are accrued for when such costs are probable and reasonably estimatable. There are no matters at December 31, 2014 that management expects the resolution of to have a material adverse effect on liquidity, financial position or results of operations of the Division.

b. Lease Agreements

The Division leases certain properties under non-cancelable operating lease agreements extending through February 2025. At December 31, 2014, future minimum payments on these operating leases are approximately as follows:

Fiscal Year:	
2015	\$ 424,000
2016	295,000
2017	276,000
2018	144,000
2019	148,000
<u>Thereafter</u>	<u>837,000</u>
	<u>\$ 2,124,000</u>

Total rent expense for property and equipment for the year ended December 31, 2014 was \$499,600, of which \$58,212 was paid to a related party (see Note 6 b.).

c. Financial Assurances

The Division is required to provide \$2.13 million in financial assurances to governmental agencies relating to its collection contracts. The Division satisfies the financial assurance requirements by providing performance bonds, certificates of deposit, or letters of credit to secure its obligations as they relate to performance under certain recycling and collection contracts.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

The financial instruments are issued in the normal course of business. They are not debt and, therefore, are not reflected in the accompanying balance sheet. The underlying obligations of the financial assurance instruments would be valued and recorded in the balance sheet based on the likelihood of performance being required. Management does not expect this to occur.

d. Collateral and Guarantees

The Division enters into contracts in the normal course of business that include indemnification clauses. Indemnifications relating to known liabilities are recorded in the financial statements based on management's best estimate of required future payments. Certain of these indemnifications relate to contingent events or occurrences, such as the imposition of additional taxes due to a change in the tax law or adverse interpretation of the tax law.

Along with substantially all of the other operations of Republic, the Division's assets collateralize certain of Republic's outstanding debt obligations.

e. Income Taxes

Operating results of the Division are included in the consolidated federal income tax return of Republic. Republic files combined state income tax returns in California. The income tax provision represents an allocation of consolidated income taxes by Republic to the Division. The income tax asset or liability is reflected in the affiliated balance with Republic on the balance sheet. Deferred tax assets and liabilities (including any valuation allowance), and uncertain tax positions are recognized and maintained on a corporate-wide basis by Republic. For the year ended December 31, 2014, the tax provision allocated to the Division was \$5,462,961 based on the Division's effective tax rate of 40.75%.

f. Labor Force

Approximately 70% of the Division's labor force is subject to various collective bargaining agreements extending through August 2015.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

Note 5 - Retirement Plans:

a. Multiemployer Pension Plan

Certain employees of the Division participate in a union-sponsored collectively bargained multiemployer defined benefit plan which generally provides retirement benefits to participants based on their service to contributing employers. Contributions to the plan, as determined in accordance with provision of the negotiated labor contracts, aggregated to \$1,075,388 for the year ended December 31, 2014.

The Division contributes to one multiemployer pension plan under a collective bargaining agreement covering union-represented employees. Approximately 70% of the Division's total current employees are participants in such multiemployer plans. The plan generally provides retirement benefits to participants based on their service to contributing employers. Neither the Division nor Republic administer the multiemployer plan. In general, the plan is managed by a board of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. Generally, neither the Division nor Republic are represented on the board of trustees.

Based on the information available to the Division, management believes that some of the multiemployer plans to which the Division contributes are either "critical" or "endangered" as those terms are defined in the Pension Protection Act (PPA). The PPA requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. Until the plan trustees develop the funding improvement plans (FIP) or rehabilitation plans (RP) as required by the PPA, the Division cannot determine the amount of assessments the Division may be subject to, if any. Accordingly, the Division cannot determine at this time the impact that the PPA may have on the Division's financial position, result of operations or cash flows.

Furthermore, under current law regarding multiemployer benefit plans, a plan's termination, the Division's voluntary withdrawal, or the mass withdrawal of all contributing employers from any under-funded multiemployer pension plan would require the Division to make payments to the plan for the Division's proportionate share of the multiemployer plan's unfunded vested liabilities. It is possible that there may be a mass withdrawal of employers contributing to these plans or plans may terminate in the near future. The Division could have adjustments to the Division's estimates for these matters in the near term that could have a material effect on the Division's financial position, result of operations or cash flows.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

The Division's participation in individually significant multiemployer pension plans for the year ended December 31, 2014 is outlined in the table below. The most recent PPA zone status available is in 2013 and is for the Plan's year ended December 31, 2013. The status is based on information that the Division received from the plan. Among other factors, plans in the "critical" red zone are generally less than 65% funded, plans in the "endangered" yellow zone are less than 80% funded, and plans in the "safe" green zone are at least 80% funded. The last column lists the expiration dates of the collective-bargaining agreements (CBA) to which the plans are subject.

Legal Plan Name	EIN	Pension Protection Act	FIP/EP Status:	Contributions	Surcharge Imposed	Expiration of CBA
		Zone Status 2013	Pending Implemented			
Western Conference of Teachers Pension Plan	91-6145047	Safe	No	\$1,075,388	No	6/30/17

The Division did not provide more than 5% of the total contributions to any plan during 2013, the date of the Plan's most recently available annual reports.

b. 401(k) Plan

Republic sponsors the Republic Services 401(k) Plan (the 401(k) Plan), a defined contribution plan, which is available to all eligible employees not represented by collective bargaining agreements. Eligible employees may contribute up to 100% of their annual compensation on a pre-tax basis subject to certain restrictions as set forth in the Internal Revenue Code. Republic matches in cash 100% of employee contributions, up to the first 3% of the employee's compensation which is deferred, and 50% on the next 2% of the employee's deferred compensation for a total match of 4%. All contributions vest immediately. The Division's matching contributions to the 401(k) Plan amounted to \$62,966 for the year ended December 31, 2014.

Note 6 - Related-Party Transactions:

a. Affiliated Balance with Republic

Cash receipts are deposited into an account maintained by Republic, and cash requirements of the Division are met by Republic on behalf of the Division. The net amount of these cash transactions is recorded in the affiliated balance with Republic.

Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)

Notes to Financial Statements

b. Affiliated Costs of Operations

The Division disposes of substantially all of the solid waste it collects, primarily through a related transfer station. Disposal costs were paid to another operating division of Republic totaling approximately \$14.1 million during the year ended December 31, 2014.

Management believes that rates charged by the affiliate to the Division for disposal services are comparable to rates that would be charged to non-affiliated companies for similar volumes of refuse.

The Division leases equipment from another division of Republic which it uses in its operations. The total lease expense related to these leases was \$58,212 for the year ended December 31, 2014, and would not necessarily represent those charged by non-affiliated companies.

Republic charges the Division for employee health, worker's compensation and other insurance coverage administered on behalf of the Division. Related charges for the year ended December 31, 2014 of \$1,195,582 were allocated on the basis of estimated annual costs.

c. Affiliated Selling, General and Administrative Expenses

Republic charges the Division for management, financial and other administrative services provided by national and regional personnel, including allocations for overhead. Amounts were allocated on the basis of revenues earned and would not necessarily represent those charged by non-affiliated companies or incurred for similar functions on a stand-alone basis. Related charges for the year ended December 31, 2014, were approximately \$2,038,000 and were included in selling, general and administrative expenses.



**Independent Auditors' Report
on Supplementary Information**

MANAGEMENT
REPUBLIC SERVICES OF CONTRA COSTA COUNTY
Pacheco, California

We have audited the financial statements of **REPUBLIC SERVICES OF CONTRA COSTA COUNTY (a division of Republic Services, Inc.) (the Division)** as of December 31, 2014, and have issued our report thereon which contains an unmodified opinion on those financial statements, see pages 1 - 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of operations – Unincorporated Contra Costa County is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hood & Strong LLP

San Jose, California
June 23, 2015

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**Republic Services of Contra Costa County
(A Division of Republic Services, Inc.)**

Supplemental Schedule of Operations - Unincorporated Contra Costa County

<i>Year ended December 31, 2014</i>	Bay Point	Concord	Pacheco	Central Sanitary District	Alhambra Valley	Morgan Territory	Canyon	Total
Revenues								
Residential	\$ 461,821	\$ 28,441	\$ 181,921	\$ 64,403	\$ 76,010	\$ 61,140	\$ 9,103	\$ 882,839
Commercial	475,386	48,370	456,091	151,854	4,590	24,232	230	1,160,753
Roll-off	180,912	81,001	48,698	43,874	2,713	20,387	398	377,983
Total revenues	1,118,119	157,812	686,710	260,131	83,313	105,759	9,731	2,421,575
Operating Expenses								
Disposal fees	376,060	65,264	242,249	71,485	34,823	43,355	2,121	835,357
Direct labor costs	187,171	26,774	149,628	54,454	31,280	88,347	4,783	542,437
Franchising fees	60,253	7,272	35,566	13,128	4,269	6,496	534	127,518
Trucking and equipment	145,379	20,678	83,004	27,863	15,770	18,058	1,334	312,086
Depreciation and amortization	92,327	7,564	52,647	18,646	10,841	10,769	953	193,747
Other operating expenses	36,886	5,126	20,939	7,008	4,071	4,529	10,347	88,906
General and administrative	120,527	18,198	66,896	22,220	13,493	15,320	1,139	257,793
Total operating expenses	1,018,603	150,876	650,929	214,804	114,547	186,874	21,211	2,357,844
Operating income	99,516	6,936	35,781	45,327	(31,234)	(81,115)	(11,480)	63,731
Interest Income	1,559	44	513	194	306	248	27	2,891
Income before income taxes	101,075	6,980	36,294	45,521	(30,928)	(80,867)	(11,453)	66,622
Allocation of Income Tax Expense	86,654	6,722	40,109	27,283	(23,351)	(27,828)	(4,350)	105,239
Net income	\$ 14,421	\$ 258	\$ (3,815)	\$ 18,238	\$ (7,577)	\$ (53,039)	\$ (7,103)	\$ (38,617)

Note: Republic Services of Contra Costa County (the "Division") maintains an agreement with the Unincorporated Contra Costa County Contract (the "Cities") that grants it the exclusive right to collect, transport and dispose of solid waste generated within agreed-upon areas of the Cities.

Revenues are derived from services provided to customers within the City limits. Expenses are either charged directly or indirectly to the Cities' service areas. Direct expenses include direct labor costs, disposal fees and franchise fees. Interest income and all other operating expenses, other than recycling processing costs, are allocated based on the ratio of waste volume transported from the Cities' service areas to the total waste volume transported. Recycling processing costs are allocated based on the ratio of recycling material volume transported from the Cities' service areas to the total recycling volume processed by the Division. The allocation of income tax expense to the Cities are based upon the relationship of pre-tax income of the Cities to total pre-tax income of the Division as a whole.

Attachment B: Adjusted Rate Model

Exhibit B-1, on the next page, of this appendix provides the adjusted base year rate model based on Crowe adjustments. The model reflects the following general adjustments (for Option 1):

Revenues

- Minor increase to residential revenues
- Moderate increase to commercial and industrial revenues

Allowable Costs/Profits

- No adjustment to direct labor
- No adjustment to tipping fees (w/profit)
- Minor increase to general and administrative costs
- Minor increase to trucking and equipment costs
- Moderate decrease to depreciation and other operating costs
- Major increase to costs of services provided to the County (primarily to account for new commercial (foodwaste) program
- Minor reduction to operating profit

Pass Through Costs

- No adjustment to tipping fees (pass through)
- Minor increase in franchise fees.

**Exhibit B-1
Schedule of Rate Review Findings
(Projection Year 2016)**

Financial Information

	Actual Historical Years					Crowe Adjust	Crowe Adjusted 2016	New Programs	Crowe Adjusted w/ New Prog 2016
	Year 1	Year 2	Year 3	Year 4	Year 5				
	2012	2013	2014	2015	2016				
Section I - Allowable Costs									
1. Direct Labor	502,525	509,939	542,438	564,134	647,941	-	647,941	42,782	690,723
2. Tipping Fees (Profit Allowed)	410,173	419,113	434,338	453,726	453,726	-	453,726	-	453,726
3. Corporate and Local General and Administrative Costs	318,358	234,453	257,793	265,424	291,060	239	291,299	13,287	304,586
4. Trucking and Equipment	308,964	286,229	312,087	321,325	387,683	289	387,972	52,122	440,094
5. Depreciation and Other Operating Costs	274,477	280,077	282,855	285,322	319,965	(15,319)	304,645	9,038	313,681
6. Services Provided to County	-	-	-	-	40,500	75,188	115,888	-	115,888
7. Total Allowable Costs (Lines 1+2+3+4+5+6)	1,814,498	1,729,812	1,829,310	1,889,931	2,140,874	60,397	2,201,272	117,227	2,318,498
Section II - Allowable Operating Profit									
8. Operating Ratio	92.9%	93.5%	97.4%	97.4%	90.0%	-	90.0%	-	90.0%
9. Allowable Operating Profit [(Line 7 / Line 8) - Line 7]	139,164	120,735	48,473	50,080	237,875	6,711	244,586	13,025	257,611
Section III - Pass Through Costs without Franchise Fees									
10. Administrative Fee	-	-	-	-	-	-	-	-	-
11. Tipping Fees (Pass Through)	341,525	370,470	401,019	444,247	438,098	-	438,098	-	438,098
12. Total Pass Through costs (without Franchise Fees) (Lines 10+11)	341,525	370,470	401,019	444,247	438,098	-	438,098	-	438,098
Section IV - Revenue Requirement without Franchise Fees									
13. Total Allowable Costs (Line 7) plus Allowable Operating Profit (Line 9) plus Total Pass Through Costs (without Franchise Fees) (Line 12)	2,285,188	2,221,017	2,278,802	2,384,258	2,816,848	67,108	2,883,955	130,252	3,014,207
Section V - Revenue without Rate Change in Base Year									
14. Residential Revenue	-	-	-	-	853,596	6,886	860,483	-	860,483
15. Less Allowance for Uncollectible Residential Accounts	-	-	-	-	4,268	34	4,302	-	4,302
16. Total Residential Revenue (without Rate Change in Base Year)	887,029	841,785	855,468	853,596	849,328	6,852	856,180	-	856,180
17. Commercial and Light Industrial Revenue	-	-	-	-	1,517,268	21,528	1,538,792	-	1,538,792
18. Less Allowance for Uncollectible Commercial and Light Industrial Accounts	-	-	-	-	7,586	108	7,694	-	7,694
19. Total Commercial/Light Industrial Revenue (without Rate Change in Base Year)	1,526,468	1,492,460	1,517,268	1,517,266	1,509,680	21,418	1,531,098	-	1,531,098
20. Recycled Material Sales	38,268	35,168	48,843	24,829	25,245	-	25,245	-	25,245
21. Total Revenue (Lines 16+19+20)	2,451,764	2,369,413	2,421,579	2,395,492	2,384,253	28,270	2,412,524	-	2,412,524
Section VI - Net Shortfall (Surplus)									
22. Net Shortfall (Surplus) without Franchise Fees (Line 13 - Line 21)	-	-	-	-	432,594	38,838	471,432	130,252	601,683
23. Residential/Commercial/Light Industrial Franchise Fees (see calculation below)	120,799	118,898	128,738	150,820	212,021	5,051	217,072	9,804	228,876
24. Net Shortfall (Surplus) with Franchise Fees (Line 22 + 23)	-	-	-	-	644,615	43,889	688,504	140,056	828,559
Section VII - Percent Change in Rates									
25. Total Residential/Commercial/Light Industrial Revenue Prior to Rate Change (Lines 16 + 19)	-	-	-	-	2,359,008	28,270	2,387,279	-	2,387,279
26. Percent Change in Existing Residential/Commercial/Light Industrial Rates (Line 24 / Line 25)	-	-	-	-	27.3%	-	28.8%	-	34.7%
5.9%									
Franchise Fee Calculation									
Equation 1) Line 13 X .07 = X	2016	27.	Total Allowable Costs (Line 7)	2,140,874	2,201,272	2,318,498			
Equation 2) Line 13 + X		28.	Allowable Operating Profits (Line 9)	237,875	244,586	257,611			
X = (Line 13 x 0.07) / 0.90	212,021	29.	Total Pass Through Costs (with FFees) (Line 12+23)	650,119	655,170	684,974			
		30.	2016 Revenue Requirement (Lines 27+28+29)	3,028,868	3,101,027	3,241,083			

Attachment C: Comparative Rate Survey

Tables C-1 through **C-3** that follow include results of a survey of comparative residential, commercial, and industrial rates. We provide comparisons between Allied's County rates and the rates charged to customers served in other neighboring unincorporated and incorporated franchise areas:

Incorporated areas

- Antioch
- Clayton
- Concord
- Danville (served through Central Contra Costa Solid Waste Authority, or CCCSWA)
- Lafayette (CCCSWA)
- Martinez
- Moraga (CCCSWA)
- Orinda (CCCSWA)
- Pleasant Hill
- Walnut Creek (CCCSWA)

Unincorporated County areas

- Alamo & Unincorporated Central CCC (CCCSWA)
- Crockett Garbage served areas – West CCC (County)
- Garaventa Enterprises served areas –East CCC (County)
- Richmond Sanitary Service served areas – West CCC (County).

Table C-1
Comparison of 2015 Unincorporated Contra Costa County
Residential Rates with Neighboring Jurisdictions (Per Customer, Per Month)

Jurisdiction	Residential Rates			
	20 Gallon	32 Gallon	64 Gallon	96 Gallon
1. Antioch	\$ 23.49	\$ 27.59	\$ 44.54	\$ 52.31
2. Clayton	24.38	27.24	50.88	57.66
3. Concord	N/A	28.45	38.40	47.05
4. Danville (CCSWA)	N/A	25.81	43.90	65.16
5. Lafayette (CCSWA)	26.43	30.20	56.99	85.47
6. Martinez	19.35	27.73	30.91	64.95
7. Moraga (CCSWA)	25.38	29.30	58.59	87.89
8. Orinda (CCSWA)	31.01	35.75	67.30	100.67
9. Pleasant Hill	20.86	24.14	32.94	49.39
10. Walnut Creek (CCSWA)	18.28	21.57	40.73	60.84
Average	\$ 23.65	\$ 27.78	\$ 46.52	\$ 67.14
2015 County rates (Option 1)	15.65	20.49	30.54	39.62
Difference	-34%	-26%	-34%	-41%
Unincorporated County Areas				
1. Alamo & Uninc Central CCC (CCCSWA)	\$ 20.33	\$ 23.09	\$ 43.96	\$ 65.65
2. Crockett Garbage – West CCC (County)	22.44	26.61	46.66	56.70
3. Garaventa Enterprises –East CCC (County)	27.61	34.46	39.97	47.55
4. Richmond Sanitary – West CCC (County)	25.50	31.01	59.42	88.50
Average	\$ 23.97	\$ 28.79	\$ 47.50	\$ 64.60
2015 County rates (Option 1)	15.65	20.49	30.54	39.62
Difference	-35%	-29%	-36%	-39%

Table C-2
Comparison of 2015 Unincorporated Contra Costa County
Commercial Rates with Neighboring Jurisdictions (Per Customer, Per Month)

Jurisdiction	1 Time per Week		2 Times per Week	
	2 cu. yd.	3 cu. yd.	2 cu. yd.	3 cu. yd.
1. Antioch	\$ 253.21	\$ 380.98	\$ 506.42	\$ 761.96
2. Clayton	229.98	310.59	459.88	621.17
3. Concord	363.80	486.15	764.00	1,020.90
4. Danville (CCSWA)	291.73	437.61	583.51	875.23
5. Lafayette (CCSWA)	368.84	544.99	737.68	1,089.98
6. Martinez	248.38	310.40	423.47	496.44
7. Moraga (CCSWA)	339.82	509.75	679.65	1,019.50
8. Orinda (CCSWA)	415.98	623.97	831.95	1,247.93
9. Pleasant Hill	203.27	304.52	405.99	609.19
10. Walnut Creek (CCSWA)	211.37	346.14	461.51	692.26
Average	\$ 292.64	\$ 425.51	\$ 585.41	\$ 843.46
2015 County rates (Option 1)	\$ 210.80	\$ 296.15	\$ 421.64	\$ 592.35
Difference	-28%	-31%	-31%	-30%
Unincorporated County Areas				
1. Alamo & Uninc Central CCC (CCCSWA)	\$ 277.65	\$ 416.45	\$ 555.28	\$ 832.92
2. Crockett Garbage – West CCC (County)	162.74	N/A	245.88	N/A
3. Garaventa Enterprises –East CCC (County)	300.44	419.73	545.65	784.23
4. Richmond Sanitary – West CCC (County)	334.71	457.34	612.02	850.36
Average	\$ 268.89	\$ 431.17	\$ 489.71	\$ 822.50
2015 County rates (Option 1)	\$ 210.80	\$ 296.15	\$ 421.64	\$ 592.35
Difference	-22%	-31%	-14%	-28%

Table C-3
Comparison of 2015 Unincorporated Contra Costa County
Industrial Rates with Neighboring Jurisdictions
(Per Pull, 2 Tons of Material)

Jurisdiction	20 yard
1. Antioch	\$563.20
2. Clayton	470.28
3. Concord	508.00
4. Danville (CCSWA)	690.69
5. Lafayette (CCSWA)	737.30
6. Martinez	455.47
7. Moraga (CCSWA)	762.27
8. Orinda (CCSWA)	805.78
9. Pleasant Hill	389.18
10. Uninc. Co (CCCSWA)	664.21
11. Walnut Creek (CCSWA)	858.74
Average	\$627.74
2015 County rates (Option 1)	\$450.04
Difference	-28%

**Attachment D:
Costs for Shift to Weekly Curbside Recycling Services
(Agreed to in 2014 as Part of Franchise Extension)**

Cost Category	Weekly Recycle	Weekly Green
Disposal Expense	\$ (7,484)	\$ 24,930
Driver Expense	\$ 42,782	\$ 42,782
Truck Depreciation	\$ 9,036	\$ 9,036
Truck Fixed	\$ 2,500	\$ 2,500
Truck Variable	\$ 49,622	\$ 49,622
Container Depreciation	\$ -	\$ -
Gross Operating Cost	\$ 96,455	\$ 128,869
Insurance	\$ 5,787	\$ 5,787
G&A	\$ 2,500	\$ 2,500
Program Promotion	\$ 5,000	\$ 5,000
Total Costs	\$ 109,742	\$ 142,157
Operating Ratio	\$ 1	\$ 1
Rev Requirement b/f Capital	\$ 121,936	\$ 157,952
Cost of Capital	\$ 9,939	\$ 9,939
Total Rev Requirement b/f Franchise Fee	\$ 131,875	\$ 167,891
Franchise Fee 5%	\$ 6,941	\$ 8,836
Total Rev Requirement a/f Franchise Fee	\$ 138,816	\$ 176,728

**Attachment E:
Costs for Mandatory Commercial Recycling Program
(Agreed to in 2014 as Part of Franchise Extension)**

Category	Amount
Disposal Expense	\$ (22,896)
Revenue for Recycled Materials	\$ (9,375)
Driver Expense	\$ 53,477
Truck Variable	\$ 51,960
License and Registration	\$ 2,250
Vehicle Depreciation	\$ 21,660
Container Depreciation	\$ 5,850
Container Variable	\$ 4,115
Gross Operating Ccost	\$ 107,042
20% Recycle Coordinator	\$ 14,000
G&A/Program Promotion	\$ 2,500
	<hr/>
Total Allowable Operating Costs	\$ 123,542
Operating Ratio	90%
Allowable Cost with Profit	\$ 137,269
Cost of Capital	\$ 11,913
Revenue Requirement b/f Franchise Fee	\$ 149,182
Francise Fee 5%	\$ 7,852
	<hr/>
Total Revenue Requirement	\$ 157,033