ATTACHMENT 2

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Subject: ***Final Report* – 2017 Base Year Rate Review of Unincorporated Contra Costa County Areas Served by Crockett Garbage Service**

This letter report represents results of Crowe Horwath's (Crowe) review of the Base Year Rate Change Application (Application) submitted by Crockett Sanitary Service (CSS) for unincorporated Contra Costa County (County). CSS has provided residential, commercial, and industrial refuse collection services to the unincorporated County areas of Crockett, Port Costa, and Tormey (together referred to as Crockett area) since becoming the assignee of the County Franchise Agreement in 1996. Republic Services, Inc. purchased Richmond Sanitary Service and its subsidiaries, including CSS, in May 2001.

CSS submitted an Application to the County to initiate the Base Year rate review process. For purpose of this review, we used the County's *Rate Setting Process and Methodology Manual for Solid Waste Charges as Applied to Allied Waste Services, Inc. – a division of Republic Services, Inc.* approved by the County Board of Supervisors on May 19, 1998 (Allied Manual). To complete our review, we principally followed Steps 2, 3, 4, 5, and 6 in Chapter II of the County's Allied Manual.

This letter report is organized into seven (7) sections as follows:

A. *Summary*

B. *Project Background*

C. *Review Findings*

D. *Rate Change Discussion*

E. *Comparative Refuse Collection Rates.*

There are two (2) attachments to this letter report.

## A. Summary

CSS submitted its Application, requesting a 15.25 percent rate increase. Based on our analysis of the Application, we recommend a rate increase of 14.28 percent. This increase would add $3.90 per month to the current $27.32 monthly rate for the most common 32-gallon service level (backyard service)

**B. Project Background**

The franchise agreement between the County and CSS specifies that CSS is allowed to submit an application for a rate change in a format required by the County. In 1998, the County adopted the Allied Manual. The County directed us to use the Allied Manual for CSS-served area rate setting.

The Allied Manual reflects the County's desire to use the operating ratio method for establishing allowable profit levels in base years. The Allied Manual identifies guidelines for allowable, pass-through, and non-allowable costs. Every four years, during base years, the hauler submits a Base Year Rate Change Application. The Application is reviewed to determine whether a rate change is necessary. Interim years occur during each year between base years, and are triggered if the hauler submits an *Interim Year Rate Change Application*. Interim years follow a more streamlined index-based process.

CSS submitted its Base Year Rate Change Application (Application) to the County on May 27, 2016. In its Application, CSS requested a rate increase of 15.25 percent. Crowe verified completeness of this application, and requested that CSS provide further information and documentation to support the application. A copy of the Application is included as **Exhibit 2-A**.

We relied on CSS provided un-audited, internally prepared, financial information and operational data for this Base Year rate review. We also had audited consolidated RSS financial statements for 2014. We reviewed CSS financial information, operation data, and cost allocation methods and calculations for reasonableness.

Crockett area rates, and rate changes, for the previous 20 years since 1996, are shown in **Table 1**, below. Crockett rates have remained unchanged since 2009, a period of seven years. As part of the prior 2011 base year rate review, CSS had a surplus which resulted in rates remaining unchanged during the prior 4-year rate setting cycle. This surplus was used to fund expanded collection of recyclables (blue cart) and organics (green cart) in the Crockett area implemented by CSS in 2012 and 2015.

**Table 1**
**Unincorporated Contra Costa County**
**Residential Collection Rates, Per Customer, per Month**
**(1996 to 2016)**

| Year | Service Level | | | | | |
|---|---|---|---|---|---|---|
| | 20 Gallon[1] | 35-Gallon[2] | 45-Gallon[3] | 65-Gallon[4] | 96-Gallon[4] | Change in Rate |
| 1996 | $16.00 | $20.00 | $27.00 | | | |
| 2001 | $18.34 | $21.74 | $28.74 | | | $1.74-$2.34 |
| 2002 | $18.73 | $22.20 | $29.34 | | | 2.10% |
| 2003-2005 | $19.13 | $22.69 | $29.99 | $39.80 | $48.35 | 2.20% |
| 2006 | $20.42 | $24.22 | $32.01 | $42.48 | $51.61 | 6.74% |
| 2007 | $21.19 | $25.13 | $33.21 | | $53.55 | 3.75% |
| 2008 | $21.68 | $25.71 | $33.98 | $45.09 | $54.79 | 2.31% |
| 2009 | $22.44 | $26.61 | $35.15 | $46.66 | $56.69 | 3.49% |
| 2010 | $22.44 | $26.61 | $35.15 | $46.66 | $56.69 | 0.00% |
| 2011-2016 | $22.44 | $26.61 | $35.15 | $46.66 | $56.69 | 0.00% |

[1] Represents curbside and backyard service.
[2] Represents curbside service. The current backyard service rate for 32-gallon service is $27.32 per month.
[3] Represents curbside service. The current backyard service rate for 45-gallon service is $35.90 per month.
[4] Represents curbside service for 65 and 95-gallon levels.

Historical trends for the annual changes in the Consumer Price Index (CPI) are shown in **Table 2**, below. The changes in the CPI for the last eleven (11) years, since the 2006 Base Year, have been relatively modest, but recently have been increasing. For the last eleven-year period (i.e., 2006 to 2016), the changes in August-to-August CPI ranged from 0.2 to 4.2 percent, and increased by an average annual compounded rate of 2.6 percent. During this same eleven-year period, actual County rates increased by an average annual compounded rate of 0.9 percent.

Over the twenty (20) years between 1996 and 2016, the 35-gallon monthly residential rate has increased $6.61, or by 33.1 percent. This is equivalent to $0.33 per year. Note that most residential customers (78%) subscribe to 35 gallon service (curbside or backyard).

**Table 2**
**Change in Consumer Price Index**
**San Francisco-Oakland-San Jose (All Items, CPI-U)**
**2006 to 2016**
(August-to-August Period)

| Year | Percent Change in Index |
|---|---|
| 2006 | 3.8 |
| 2007 | 2.6 |
| 2008 | 4.2 |
| 2009 | 0.2 |
| 2010 | 1.0 |
| 2011 | 2.9 |
| 2012 | 2.8 |
| 2013 | 2.0 |
| 2014 | 3.0 |
| 2015 | 3.6 |
| 2016 | 3.1 |
| Average annual compounded rate of change – 11 years | **2.6** |

The scope of work for this review included the following six (6) tasks:

1. Verify the completeness of CSS's rate change application
2. Review the rate change application and prepare responses
3. Survey rates in similar service areas
4. Prepare a draft report
5. Prepare a final report
6. Participate in one Board of Supervisors meeting.

**C. Review Findings**

Most Crockett area costs are consolidated with costs from the other divisions of Richmond Sanitary Service, Inc. and the consolidated financial statements are subject to routine audits.[5] CSS provided actual consolidated costs for 2015. CSS also provided its cost allocation method, and calculations used to determine Crockett area costs. CSS used a route hour method to allocate costs from the consolidated level to Crockett areas.

CSS' cost allocation calculations were based on factors including drive bys per hour and lifts per hour. CSS then determined the percent of total hours spent serving Crockett areas, and allocated consolidated costs to Crockett areas based on this route-hour percentage. We found this cost allocation method acceptable and consistent with industry norms. Republic Services allocated 24.20 percent of consolidated costs to Crockett. This percentage is consistent with the allocation percentage used by Republic in the prior CSS base year.

We reviewed CSS's historical revenues and costs to understand the basis for the rate decrease identified by CSS in its Application. We determined that the need for a rate increase, for this year, resulted from three (3) primary components:

- **Increases in tipping fee costs** – Total tipping fee costs increased in 2015 (13.1%) and 2016 (12.2%) resulting from increases in both the municipal solid waste, greenwaste, and concrete/wood/bulk tipping fee rates (approximately four (4) percent per year) as well as double digit increases in total overall disposal tonnages. Significant drivers for the increases in tonnage were the 2012 shift from monthly to bi-monthly greenwaste collection and the March 2015 shift from bi-monthly to weekly greenwaste collection in the Crockett area.
- **Increases in labor costs** – These costs are associated with increases in union labor wage rates and benefits specified in *Teamsters Local 315* union agreements.
- **Container repairs**. CSS made some investments in container repairs in 2015 and 2016.

**Table 3,** on the following page, summarizes six (6) adjustments from our review of CSS's 2017 Base Year Application. Our adjustments reduce the revenue requirement by $5,659. With these adjustments, CSS will operate at a shortfall of $83,532.

One of the adjustments (-$12,376) was for profit allowed on tipping fees. We set tipping fees with profit at $45.00 per ton and treated amounts over $45.00 per ton as a pass-through expense, consistent with treatment in the last two Crockett area base year rate reviews.

Another adjustment (-$1,786) was for allowable operating profit. Because CSS is projected to earn an actual operating ratio outside the 88 to 92 percent operating ratio range specified in the Allied Manual, we reset the allowable Base Year operating ratio to the 90 percent target operating ratio.[6]

We also noted that the company uses a relatively large overtime levels to serve Crockett areas. We inquired about this observation and CSS indicated that this resulted from the company rerouting the area in 2015 to reflect longer routes. Further, due to difficulty in maintaining driver headcount CSS uses a 10 hour workday to accommodate these longer routes.

We also verified that the general and administrative expenses fell within a reasonable levels (11%) when viewed as a percent of the total revenue requirement for the company.

[5] Since July 2008, most Crockett costs are allocated from Richmond Sanitary Republic Services' combined costs of serving the Berkeley (commercial), Crockett, and Rodeo areas. The cost of preparing audited financial statements solely for CSS would be a significant allowable expense for rate setting purpose if arranged by the Contractor, which would potentially warrant a substantive rate increase due to the limited customer base available in the franchise area to spread said cost.
[6] The operating ratio (OR) is defined as total allowable costs divided by the sum of total allowable costs plus total allowable operating profits.

**Table 3**
**Contra Costa County**
**Adjustments to CSS Base Year Rate Change Application**

| Description of Adjustment | Net Adjustment to Revenue Requirement | Rationale |
|---|---|---|
| 1. Adjustment of tipping fees (with profit) from $50 per ton to $45 per ton | -$12,376 | This treatment in consistent with the previous 2006 CSS base year review. |
| 2. Used two-year average of trucking and equipment (based on 2015 and 2016 costs) | -$3,703 | Smooth 2017 projection that would otherwise include a larger one-time bin repair cost continuously over the 4-year period. |
| 3. Adjustment in Allowable Operating Profit | -$1,786 | Based on the Allied Manual allowable operating ratio of 90 percent applied to total allowable costs. |
| 4. Adjustment of tipping fees (pass-through) because of the adjustment of tipping fee (with profit) from $50 per ton to $45 per ton | +$12,376 | This treatment in consistent with the previous CSS base year reviews and other County regulated areas. |
| 5. Decrease in franchise fee payments to County | -$170 | Minor adjustment to reflect reduction in revenue requirement for #1 through 4 above. |
| 6. Shifted $62,577 of residential revenues to commercial revenues | No change | This revenue was incorrectly classified as residential revenue in the Application. |
| **Total Adjustments** | **-$5,659** | |

## D. Rate Change Discussion

With the adjustments identified in Section C, we calculated that the County would need to increase Crockett area residential, commercial, and light industrial (debris box) rates by 14.28 percent to meet the current CSS revenue requirement. This 14.28 percent increase is equivalent to an $83,532 shortfall for 2017. This is a reduction of 0.97 percent from the company's request for a 15.25 percent rate increase. Resulting residential rates, with the 14.28 percent increase, are summarized in **Table 4**, below.

**Table 4**
**Contra Costa County**
**Crockett Service Area**
**Year 2017 Refuse Collection Rates**
**(Current, and Recommended 14.28 Percent Rate Increase)**

| Service | Current Rate (per Customer, Per Month) | Increase In Rate | Recommended Rate |
|---|---|---|---|
| *Curbside* | | | |
| 20-gallon* | $22.44 | $3.20 | $25.64 |
| 35-gallon | $26.61 | $3.80 | $30.41 |
| 45-gallon | $35.15 | $5.02 | $40.17 |
| 65-gallon | $46.66 | $6.66 | $53.32 |
| 95-gallon | $56.69 | $8.10 | $64.79 |
| *Backyard* | | | |
| 32-gallon | $27.32 | $3.90 | $31.22 |
| 45-gallon | $35.90 | $5.13 | $41.03 |

* Same rate for 20-gallon Backyard.

### E. Comparative Refuse Collection Rates

Results of the comparative rate survey are provided in **Exhibit 2-B**. We surveyed residential, commercial, industrial rates of ten (10) neighboring non-County franchise areas, including:

1. *City of Albany*
2. *City of Berkeley*
3. *City of El Cerrito*
4. *City of Hercules*
5. *Kensington*
6. *City of Oakland*
7. *City of Pinole*
8. *City of Richmond*
9. *Rodeo*
10. *City of San Pablo*

As shown in Exhibit 2-B, current Crockett area residential rates are 25 to 38 percent below average rates for all container sizes in neighboring non-County franchise areas. With the proposed 14.28% increase recommended to take effect on 4/1/2017, the Crockett area residential rates would range between about 15 to 29 percent below average rates charged in non-County franchise areas. Compared to other unincorporated areas franchised by the County directly or indirectly (joint powers authority or JPA, current Crockett area residential rates are 2 to 8 percent below average except for the 65-gallon cart which is 4 percent above average. With the proposed 14.28% increase recommended to take effect on 4/1/2017, the Crockett area residential rates would range between about 4 to 11 percent above average.

Current Crockett area commercial bin rates are significantly below average. For all the nearby areas served under other franchises shown in Exhibit 2-B, current Crockett area commercial rates (2-yard bin) are below the comparative average rates in neighboring non-County franchise areas, ranging from 54 to 65 percent below the average. Compared to other unincorporated areas franchised by the County or JPA, current Crockett area commercial rates are 43 to 53 percent below average.

**Exhibit 2-A**
**2016 Rate Application for 2017 Base Year**

**Exhibit 2-A** includes the 2016 Base Year Rate Change Application (Application) submitted by CSS to the County on May 27, 2016. In the Application, CSS proposed to increase unincorporated County collection rates by 15.25 percent in 2017. The Application included the following forms:

- Financial information
- Cost summary for year 2015
- 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, 2013 to 2015
- Current year estimated, 2016
- Base year projected, 2017.

**Contra Costa County (Crockett)**

Base Year Rate Change Application

*Financial Information*

| | Actual | | | Estimated | Projected |
|---|---|---|---|---|---|
| | Historical Years | | | Current Year | Base Year |
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| **Section I – Allowable Costs** | | | | | |
| 1. Direct Labor | $ 208,221 | $ 208,343 | $ 202,442 | $ 205,530 | $ 211,696 |
| 2. Tipping Fees (Profit Allowed) | 104,642 | 97,448 | 110,263 | 123,757 | 127,470 |
| 3. Corporate and Local General and Administrative Costs | 83,854 | 114,925 | 85,839 | 71,280 | 73,418 |
| 4. Depreciation and Other Operating Costs | 871 | 723 | 1,433 | 282 | 291 |
| 5. Services Provided to County | - | - | - | - | - |
| 6. Trucking and Equipment | 81,386 | 68,340 | 61,179 | 68,369 | 70,420 |
| 7. Total Allowable Costs (Lines 1+2+3+4+5+6) | $ 478,973 | $ 489,780 | $ 461,156 | $ 469,217 | $ 483,294 |
| **Section II -- Allowable Operating Profit** | | | | | |
| 8. Operating Ratio | 90% | 90% | 90% | 90% | 90% |
| 9. Allowable Operating Profit [(Line 7 / 0.9)-Line 7] | $ 53,219 | $ 54,420 | $ 51,240 | $ 52,135 | $ 53,699 |
| **Section III – Pass Through Costs without Franchise Fees** | | | | | |
| 10. County Administrative Fee | $ | $ | $ | $ | $ |
| 11. Tipping Fees (Pass Through) | 48,471 | 47,789 | 59,343 | 80,810 | 83,639 |
| 12. Trucking and Equipment (Equipment Rental) | 59,513 | 56,239 | 50,884 | 50,884 | 50,884 |
| 13. Total Pass Through Costs (without Franchise Fees) (Lines 8+9) | $ 107,984 | $ 104,028 | $ 110,227 | $ 131,695 | $ 134,523 |
| **Section IV -- Revenue Requirement without Franchise Fees** | | | | | |
| 14. Total Allowable Costs (Line 7) plus Allowable Operating Profit (Line 9) plus Total Pass Through Costs (without Franchise Fees) (Line 13) | $ 640,176 | $ 648,228 | $ 622,623 | $ 653,047 | $ 671,516 |
| 15. Less Credit for Enhanced Services per Post-Collection Agreement | | | | | $ - |
| 16. Adjusted Revenue Requirement (without Franchise Fees) (line 14-15) | | | | | $ 671,516 |
| **Section V -- Revenues without Rate Change in Base Year** | | | | | |
| 17. Residential Revenues | | | | | $ 550,764 |
| 18. Less Allowance for Uncollectible Residential Accounts | | | | | (3,855) |
| 19. Total Residential Revenues (without Rate Change in Base Year) | $ 562,905 | $ 553,968 | $ 546,889 | $ 546,908 | $ 546,908 |
| 20. Commercial and Light Industrial Revenues | | | | | $ 38,241 |
| 21. Less Allowance for uncollectable Commercial and Light Industrial Accounts | | | | | (268) |
| 22. Total Commercial/Light Industrial Revenues (without Rate Change in Base Year) | $ 22,510 | $ 42,174 | $ 32,550 | $ 37,974 | $ 37,974 |
| 23. Recycled Material Sales (N/A if Use IRRF) | $ 11,702 | $ 11,419 | $ 21,154 | $ 18,213 | $ 18,213 |
| 24. Total Revenues (Lines 19+22+23) | $ 597,117 | $ 607,560 | $ 600,593 | $ 603,095 | $ 603,095 |
| **Section VI -- Net Shortfall (Surplus)** | | | | | |
| 25. Net Shortfall (Surplus) without Franchise Fees (Lines 16-Line 24) | | | | | $ 68,422 |
| 26. Residential / Commercial / Light Industrial Franchise Fees (see calculation below) | $ 23,056 | $ 22,833 | $ 20,281 | $ 20,197 | $ 20,769 |
| 27. Net Shortfall (Surplus) with Franchise Fees (Lines 25+26) | | | | | $ 89,190 |
| 28. Contribution From/(To) Rate Stabilization Fund | | | | | $ - |
| 29. Adjusted Net Shortfall (Surplus) with Franchise Fees (Lines 27+28) | | | | | $ 89,190 |
| **Section VII – Percent Change in Rates** | | | | | |
| 30. Total Commercial / Light Industrial Revenues Prior to Rate Change (Lines 19+22) | | | | | $ 584,882 |
| 31. Percent Change in Existing Residential / Commercial / Light Industrial Rates (Line 29 / Line 30) | | | | | **15.25%** |

**Franchise Fee Calculation**

Franchise fees are set by the County at a percent of the revenue requirement
Solve for two equations with one unknown, and identify franchise fees as X =>
Equation 1) Revenue Requirement x Franchise Fee % = X
Equation 2) Revenue Requirement = Line 13 + X, or $_____ +X
Substitute equation 2) into equation 1) and solve for X =>
($_____ + X) x Franchise Fee % = X or X = _____

**Summary Revenue Requirement**

| | |
|---|---|
| 32. Total Allowable Costs (Line 7) | $ 483,294 |
| 33. Allowable Operating Profits (Line 9) | 53,699 |
| 34. Pass Through Costs with Franchise Fees (Line 13+26) | 155,292 |
| 35. Revenue Requirement | $ 692,285 |

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**Contra Costa County (Crockett)**

Base Year Rate Change Application

*Cost Summary for Year* *2015*

**Section VIII -- Base Year Cost Allocation**

| | Description of Cost | 2015 Crockett | Allocation Base(s) |
|---|---|---|---|
| | Labor - Regular | $ 125,390 | Labor Hours |
| | Labor - Overtime | 23,474 | Labor Hours |
| | Benefits | 44,241 | Labor Hours |
| | Payroll Taxes | 9,337 | Labor Hours |
| *33.* | Total Direct Labor | $ 202,442 | |
| *34.* | Total Tipping Fees (Profit Allowed) | $ 110,263 | Actual Tons |
| | Bank Fees | $ 6,684 | Accounts |
| | Bonus Pay Corporate | $ - | Accounts |
| | Collection Fees | $ 409 | Accounts |
| | Computer Services | 448 | Accounts |
| | Consulting and Professional Fees | 330 | Direct |
| | Dues and Subscriptions | - | Accounts |
| | Insurance | 30,899 | Accounts |
| | Laundry and Uniforms | 1,516 | Accounts |
| | Management Fees/Corproate Overhead | 34,679 | Accounts |
| | Miscellaneous and Other | 155 | Accounts |
| | Office Expenses | 43 | Accounts |
| | Office Repair and Maintenance | - | Accounts |
| | Outsource Billing | - | Accounts |
| | Postage | 99 | Accounts |
| | Public Relations and Promotion | 168 | Accounts |
| | Relocation and Recruiting | - | Accounts |
| | Sales and Marketing Misc. | 542 | Accounts |
| | Taxes and Licenses | 592 | Accounts |
| | Telephone | 1,381 | Accounts |
| | Travel | - | Accounts |
| | Utilities | 7,894 | Accounts |
| *35.* | Total Corporate and Local General and Administrative Costs | $ 85,839 | |
| | Depreciation-Buildings | $ - | |
| | Depreciation-Office Furniture and Equipment | - | Accounts |
| | Depreciation-Vehicles | - | Direct |
| | Depreciation-Containers | - | Direct |
| | Depreciation-Equipment | - | Direct |
| | Other Operating Costs | 1,433 | Accounts |
| *36.* | Total Depreciation and Other Operating Costs | $ 1,433 | |
| *37.* | Total Services Provided to County | $ - | Direct |
| ***38.*** | **Total Allowable Costs (Lines 33+34+35+36+37)** | $ 399,977 | |
| *39.* | Total County Administration Fee | | |
| | Equipment Rental | $ 50,884 | Direct |
| | Gas and Oil | 24,849 | Accounts |
| | Parts | 8,986 | Accounts |
| | Repair and Maintenance | 1,342 | Accounts |
| | Tires | 6,095 | Accounts |
| | Other | 19,906 | Accounts |
| *40.* | Total Trucking and Equipment | $ 112,064 | |
| *41.* | Total Tipping Fees (Pass Through) | $ 59,343 | Actual Tons |
| *42.* | Total Residential/Commercial/Light Industrial Franchise Fees | $ 20,281 | Direct |
| ***43.*** | **Total Pass Through Costs (Lines 39+40+41+42)** | $ 191,687 | |
| ***44.*** | **Total Costs (Lines 38+43)** | $ 591,665 | |

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Contra Costa County (Crockett)

Base Year Rate Change Application

*Revenues Summary*

Section IX -- Revenues

| | | Actual Historical Years | | | Estimated Current Year | Projected Base Year |
|---|---|---|---|---|---|---|
| | | Year 1 2013 | Year 2 2014 | Year 3 2015 | Year 4 2016 | Year 5 2017 |
| | **Single Family Residential Services** | | | | | |
| *43.* | Single Family Residential Revenues | $ 566,873 | $ 557,873 | $ 550,745 | $ 550,764 | $ 550,764 |
| | **Multiunit Residential Services** | | | | | |
| *44.* | Number of Accounts | | | | | |
| *45.* | Multiunit Residential Revenues | $ - | $ - | $ - | $ - | $ - |
| *46.* | Residential Revenues (w/o Allowable for Uncollectible Accounts) (Lines 43+45) | $ 566,873 | $ 557,873 | $ 550,745 | $ 550,764 | $ 550,764 |
| *47.* | Allowance for Uncollectible Residential Accounts | $ 3,968 | $ 3,905 | $ 3,855 | $ 3,855 | $ 3,855 |
| *48.* | **Total Residential Revenues (Line 46 - Line 47)** | $ 562,905 | $ 553,968 | $ 546,889 | $ 546,908 | $ 546,908 |
| | **Commercial and Light Industrial Can Services** | | | | | |
| *49.* | Number of Accounts | | | | | |
| *50.* | Commercial and Light Industrial Can Revenues | $ - | $ - | $ - | $ - | $ - |
| | **Commercial and Light Industrial Bin Services** | | | | | |
| *51.* | Number of Accounts | | | | | |
| *52.* | Commercial and Light Industrial Bin Revenues | $ - | $ - | $ - | $ - | $ - |
| | **Commercial and Light Industrial Drop Box Services** | | | | | |
| *53.* | Number of Accounts | 5 | 9 | 4 | 6 | 6 |
| *54.* | Commercial and Light Industrial Drop Box Revenues | $ 22,668 | $ 42,471 | $ 32,779 | $ 38,241 | $ 38,241 |
| *55.* | Commercial and Light Industrial Revenues (w/o Allowance for Uncollectible Accounts) (Lines 50+52+54) | $ 22,668 | $ 42,471 | $ 32,779 | $ 38,241 | $ 38,241 |
| *56.* | Allowance for Uncollectible Commercial and Light Industrial Accounts | $ 159 | $ 297 | $ 229 | $ 268 | $ 268 |
| *57.* | **Total Commercial and Light Industrial Revenues (Line 55 - Line 56)** | $ 22,510 | $ 42,174 | $ 32,550 | $ 37,974 | $ 37,974 |
| *58.* | **Recycled Material Sales** | $ 11,702 | $ 11,419 | $ 21,154 | $ 18,213 | $ 18,213 |
| *59.* | **Total Revenues (Lines 48+57+58)** | $ 597,117 | $ 607,560 | $ 600,593 | $ 603,095 | $ 603,095 |

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Contra Costa County (Crockett)

Base Year Rate Change Application

*Single Family Residential Revenues Summary*

**Section X -- Single Family Residential Revenues and Customer Counts**

| | Current Rate/Month | Projected Accounts | 2017 Base Year Revenues Total [a/] |
|---|---|---|---|
| **Single Family Residential Revenues (w/o Rate Change in Base Year)** | | | |
| **Residential-Back Yard** | | | |
| 35 Gallon Container | 27.32 | 833 | 273,091 |
| 45 Gallon Container | 35.90 | 12 | 5,170 |
| 65 Gallon Container | 46.66 | 133 | 74,469 |
| 95 Gallon Container | 56.69 | 22 | 14,966 |
| 20 Gallon Mini-Can | 22.44 | 127 | 34,199 |
| **Residential-Curbside** | | | |
| 35 Gallon Container | 26.61 | 265 | 84,620 |
| 45 Gallon Container | 35.15 | 9 | 3,796 |
| 60. **Total Base Year Single Family Residential Revenues** | | 1,401 | $ 490,310 |

[a/] Equal to the current rate per month multiplied by 12 multiplied by the projected number of accounts.

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**Contra Costa County (Crockett)**

## Base Year Rate Change Application

*Operating Information*

| | Historical Information | Percent Change | Historical Information | Percent Change | Current Year Estimated Information | Percent Change | Base Year Projected Information | Percent Change | Base Year Projected Information |
|---|---|---|---|---|---|---|---|---|---|
| | Year 1 | Year 1 to 2 | Year 2 | Year 2 to 3 | Year 3 | Year 3 to 4 | Year 4 | Year 4 to 5 | Year 5 |
| | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
| **Section XI -- Operating Data** | | | | | | | | | |
| **Accounts** | | | | | | | | | |
| 61. Residential | 1,296 | -0.08% | 1,295 | 0.15% | 1,297 | -0.46% | 1,291 | 0.00% | 1,291 |
| 62. Commercial | 20 | 35.00% | 27 | -11.11% | 24 | 0.00% | 24 | 0.00% | 24 |
| 63. Light Industrial | 5 | 80.00% | 9 | -55.56% | 4 | 50.00% | 6 | 0.00% | 6 |
| 64. Total Accounts | 1,321 | 0.76% | 1,331 | -0.45% | 1,325 | -0.30% | 1,321 | 0.00% | 1,321 |
| **Waste Tonnage** | | | | | | | | | |
| 65. Residential | 1,200 | 2.51% | 1,230 | 6.13% | 1,305 | 2.10% | 1,333 | 0.00% | 1,333 |
| 66. Residential Greenwaste | 333 | -0.20% | 332 | 68.03% | 559 | 21.77% | 680 | 0.00% | 680 |
| 67. Commercial | 11 | -0.70% | 11 | -26.93% | 8 | -2.04% | 8 | 0.00% | 8 |
| 68. Light Industrial | 43 | -38.36% | 27 | -15.04% | 23 | 45.64% | 33 | 0.00% | 33 |
| 69. Total Tonnage | 1,588 | 0.80% | 1,601 | 18.40% | 1,895 | 8.40% | 2,054 | 0.00% | 2,054 |
| **Recyclable Tonnage** | | | | | | | | | |
| 70. Residential | 359 | 6.01% | 381 | 39.01% | 529 | 13.07% | 598 | 0.00% | 598 |
| 71. Commercial | | #DIV/0! | | #DIV/0! | | #DIV/0! | | #DIV/0! | |
| 72. Light Industrial | 93 | 0 | 88 | 0 | 107 | 0 | 110 | 0 | 110 |
| 73. Total Tonnage | 452 | 3.59% | 469 | 35.83% | 636 | 11.20% | 708 | 0.00% | 708 |
| **County Services** | | | | | | | | | |
| 74. County Bins | 70 | 0.00% | 70 | 0.00% | 70 | 0.00% | 70 | 0.00% | 70 |
| 75. County Drop Boxes | | #DIV/0! | | #DIV/0! | | #DIV/0! | | #DIV/0! | |
| **Section XII -- Change in Commercial Rates** | | | | | | | | | |
| 76. 1 Yard Bin -- Once per Week | $ 121.15 | 0.00% | $ 121.15 | 0.00% | $ 121.15 | 0.00% | $ 121.15 | 0.00% | $ 121.15 |
| 77. 2 Yard Bin -- Once per Week | 162.74 | 0.00% | 162.74 | 0.00% | 162.74 | 0.00% | 162.74 | 0.00% | 162.74 |
| 78. 20 Yard Debris Box -- per Pick Up | $ 343.13 | 0.00% | $ 343.13 | 0.00% | $ 343.13 | 0.00% | $ 343.13 | 0.00% | $ 343.13 |

Contra Costa County (Crockett)

## Base Year Rate Change Application

*Unincorporated Area:* All Areas

**Rate Change**

79. Rate Change Requested: 15.25%

**Rate Schedule**

| Rate schedule | Current Rate (w/o IRRF) | New Rate, Before Adjustment | Adjustment (a) | New Rate |
|---|---|---|---|---|
| **Residential-Back Yard** | | | | |
| 35 Gallon Container | $ 27.32 | 31.49 | 0.01 | 31.50 |
| 45 Gallon Container | $ 35.90 | 41.37 | (0.02) | 41.35 |
| 65 Gallon Container | 46.66 | 53.78 | 0.02 | 53.80 |
| 95 Gallon Container | 56.69 | 65.33 | 0.02 | 65.35 |
| 20 Gallon Mini-Can | 22.44 | 25.86 | (0.01) | 25.85 |
| **Residential-Curbside** | | | | |
| 35 Gallon Container | $ 26.61 | 30.67 | (0.02) | 30.65 |
| 45 Gallon Container | 35.15 | 40.51 | (0.01) | 40.50 |

80. Multiunit Residential

Rate increase of 15.25% will be applied to all rates in each structure with each rate rounded up or down 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: Winnie Lau  Title: Division Controller

Signature:  Date: 5/27/2016

Year:  Page 6 of 6

**Exhibit 2-B**
**Comparative Rate Survey**

**Tables B-1** through **B-2** that follow include results of a survey of comparative residential and commercial rates. We provide comparisons between CSS's Crockett area rates and the rates charged to customers served in the following other neighboring unincorporated and incorporated areas:

Incorporated or Unincorporated* areas franchised by other agencies

- Albany
- Berkeley
- El Cerrito
- Hercules
- Kensington* (Franchise governed by Community Services District)
- Oakland
- Pinole
- Richmond
- Rodeo* (Franchise governed by Sanitary District)
- San Pablo

Unincorporated areas franchised by the County or authorized joint powers authority (JPA)

- Alamo & Unincorporated Central CCC (JPA - Central Contra Costa Solid Waste Authority)
- Garaventa served areas – Central/East CCC (County)
- Allied Waste (Republic) served areas – Central/East CCC (County)
- Richmond Sanitary Service (Republic) served areas – West CCC (County).

**Table B-1**
**Comparison of 2016 Crockett Area Residential Rates with Neighboring Jurisdictions/Service Areas (Per Customer, Per Month)**

| | Residential Rates | | | |
|---|---|---|---|---|
| **Non-County Franchise Jurisdiction** | **20 Gallon** | **32 Gallon** | **64 Gallon** | **96 Gallon** |
| 1. Albany | $36.72 | $41.13 | $71.08 | $101.02 |
| 2. Berkeley | 24.50 | 39.19 | 78.33 | 117.45 |
| 3. El Cerrito | 32.40 | 43.00 | 86.40 | - |
| 4. Hercules | 29.47 | 34.60 | 61.01 | 88.21 |
| 5. Kensington* | 38.96 | 42.96 | - | - |
| 6. Oakland | 35.52 | 40.60 | 73.16 | 110.96 |
| 7. Pinole | 27.94 | 33.11 | 58.91 | 85.50 |
| 8. Richmond | 27.42 | 33.32 | 63.39 | 94.32 |
| 9. Rodeo* | 24.52 | 26.31 | 32.09 | 44.12 |
| 10. San Pablo | 23.69 | 28.84 | 55.59 | 83.86 |
| *Average: Non-County Franchises* | *$30.11* | *$36.31* | *$64.44* | *$90.68* |
| Crockett rates – Curbside: Existing (2016) | $22.44 | $27.32 | $46.66 | $56.69 |
| **Difference: 2016** | **-25.5%** | **-24.8%** | **-27.6%** | **-37.5%** |
| Crockett rates – Curbside: Base Year (2017) | $25.64 | $30.41 | $53.32 | $64.79 |
| **Difference: 2017** | **-14.8%** | **-16.2%** | **-17.3%** | **-28.6%** |
| **Unincorporated County Areas** | | | | |
| 1. Alamo & Uninc Central CCC (CCCSWA) | $20.80 | $23.62 | $44.97 | $67.47 |
| 2. Garaventa Served Areas (County) | 29.25 | 36.50 | 42.34 | 50.37 |
| 3. AWS (Republic) – Cent/East CCC (County) | 16.07 | 21.04 | 31.36 | 40.68 |
| 4. Richmond Sanitary – West CCC (County) | 25.81 | 31.56 | 60.44 | 90.04 |
| *Average: County/JPA Franchises* | *$23.09* | *$29.70* | *$45.00* | *$62.48* |
| Crockett rates – Curbside: Existing (2016) | $22.44 | $27.32 | $46.66 | $56.69 |
| **Difference: 2016** | **-2.4%** | **-3.1%** | **4.2%** | **-8.8%** |
| Crockett rates – Curbside: Base Year (2017) | $25.64 | $30.41 | $53.32 | $64.79 |
| **Difference: 2017** | **11.1%** | **5.1%** | **18.5%** | **3.7%** |

* Unincorporated areas served pursuant to franchise agreements governed by other agencies without County involvement.

**Table B-2**
**Comparison of 2016 Crockett Area Commercial Rates with Neighboring Jurisdictions/Service Areas (Per Customer, Per Month)**

| Jurisdiction | 2 cu. yd. 1/week | 2 cu. yd. 2/week |
|---|---|---|
| 1. Albany | $327.74 | $655.48 |
| 2. Berkeley | 263.71 | 553.76 |
| 3. El Cerrito | 559.51 | 1,071.01 |
| 4. Hercules | 413.93 | 756.98 |
| 5. Kensington* | 384.50 | 768.00 |
| 6. Oakland | 345.74 | 691.48 |
| 7. Pinole | 415.06 | 762.92 |
| 8. Richmond | 365.40 | 679.95 |
| 9. Rodeo* | 170.56 | 341.09 |
| 10. San Pablo | 366.69 | 672.78 |
| *Average: Non-County Franchises* | *$361.28* | *$695.35* |
| Crockett rates: Existing (2016) | $162.74 | $245.88 |
| **Difference** | **-55%** | **-65%** |
| **Unincorporated County Areas** | | |
| 1. Alamo & Uninc Central CCC (CCCSWA) | $284.04 | $568.05 |
| 2. Garaventa Served Areas (County) | 300.53 | 419.77 |
| 3. AWS (Republic) – Cent/East CCC (County) | 210.80 | 489.71 |
| 4. Richmond Sanitary – West CCC (County) | 344.51 | 630.36 |
| *Average: County/JPA Franchises* | *$284.97* | *$526.97* |
| Crockett rates: Existing (2016) | $162.74 | $245.88 |
| **Difference** | **-43%** | **-53%** |

* Unincorporated areas served pursuant to franchise agreements governed by other agencies without County involvement.