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June 8, 2022

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 – Analysis of Senate Bill 1383 Rate Request by Allied Waste Systems, Inc. (a division of Republic Services, Inc.)**

Dear Ms. Dingman:

This report provides the results of Crowe LLP's (Crowe) analysis of the rate application (Application) submitted by Allied Waste Systems, Inc. (AWS, a subsidiary of Republic Services, Inc., and also referred to as Republic Services of Contra Costa County) to Contra Costa County (County) to cover new costs required to comply with Senate Bill 1383 (SB 1383). AWS provides refuse, organics, and recycling collection services in unincorporated Contra Costa County. This letter report is organized into eight (8) sections as follows:

- A. Purpose of Analysis
- B. Summary Results of Analysis
- C. Background of Analysis
- D. Goals and Objectives of Analysis
- E. Scope of Analysis
- F. History of Collection Rates
- G. SB 1383 Rate Application
- H. Results of Analysis.

There are four (4) attachments to this report, as follows:

- A. SB 1383 Rate Application
- B. Adjusted SB 1383 Rate Model
- C. Applicable Consumer Price Index Data
- D. Summary Comparison of Other Jurisdictions' SB 1383 Rate Changes.

## A. Purpose of Analysis

The purpose of this analysis of the SB 1383 rate request submitted by AWS (Analysis) is to assist the County with establishing rates for refuse and recycling collection to cover new costs required to comply with SB 1383 requirements. Effective January 1, 2022, SB 1383 requires all businesses and residents to separate organics and recyclable materials from trash and either subscribe to the required collection services or self-haul organics to an appropriate facility for diversion. Under SB 1383, organic waste haulers will need to monitor contamination of organic waste containers at the time of collection, and report contamination data to jurisdictions.

We conducted this Analysis in accordance with the County's *Rate Setting Process and Methodology Manual for Residential Solid Waste Charges* (Manual), dated July 2019.

In the course of preparing this Analysis, we have not conducted an audit, review, or compilation of any financial or supplemental data used in the accompanying Analysis. We have made certain projections which may vary from actual results because events and circumstances frequently do not occur as expected and such variances may be material. We have no responsibility to update this Analysis for events or circumstances occurring after the date above.

Our procedures and work product are intended for the benefit and use of the County. This engagement was not planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.

This Analysis is substantially different from an audit, examination, or review in accordance with Generally Accepted Auditing Standards, the objective of which is to express an opinion regarding AWS financial statements. Accordingly, we do not express such an opinion. Crowe's services and work product were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA") and do not constitute an audit, examination, or review in accordance with standards established by the AICPA.

In the preparation of this Analysis, Crowe relied upon the information provided to Crowe without verification or investigation. The information in this Analysis is based on estimates, assumptions and other data developed by Crowe from information provided by AWS, knowledge of and participation in other studies, data supplied by the County, and other sources deemed to be reliable.

Crowe worked at the direction of the County in providing our services and preparing this Analysis. The County determined and approved the scope included within Crowe's work. The County will review this report and will determine to accept this Analysis and how to implement the results of Crowe's services.

The consulting services did not contemplate obtaining the understanding of AWS internal controls or assessing control risks, tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit, examination, or review. Thus, this engagement was not intended to provide assurance that we would become aware of significant matters that would be disclosed in an audit, examination, or review.

The County agreed to be responsible to make all management decisions and perform all management functions; designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management to oversee these services; evaluated the adequacy and results of the services performed; and accepted responsibility for the results of the services.

Crowe's fees are not dependent upon the outcome of this report and Crowe is independent with respect to any other economic interests.

## B. Summary

In its Application, AWS requested a rate increase of 17.92 percent. Based on the analysis of the Application, and applying the methodology contained in the Manual, we calculated a rate increase of 7.54 percent for 2022. The calculated rate increase would provide AWS with the target profit level allowed by the Manual and cover costs associated with SB 1383 requirements in 2022.

**Table 1** below shows the rate increase for typical residential customer service levels. For residential customers, this rate increase ranges between \$1.32 and \$3.35 per customer, per month, depending on the residential service level. **Tables 2a** through **2e** show the calculated rate increases for typical commercial customers, depending on the commercial service level, by service area.

**Table 1**  
**Allied Waste Systems, Inc.**  
**2022 Residential Rates, by Service Level**  
**(Per Customer, Per Month)**

Service Level	2021 Rate	2022 Rate	Rate Change
20 Gallon	\$17.53	\$18.85	\$1.32
32 Gallon	\$22.94	\$24.67	\$1.73
64 Gallon	\$34.21	\$36.79	\$2.58
96 Gallon	\$44.38	\$47.73	\$3.35

**Table 2a**  
**Allied Waste Systems, Inc.**  
**2022 Alhambra Valley Commercial Rates, by Selected Service Level**  
**(Per Customer, Per Month)**

Service Level	2021 Rate	2022 Rate	Rate Change
1 yd. 1x per week	\$158.62	\$170.58	\$11.96
2 yd. 1x per week	\$244.28	\$262.70	\$18.42

**Table 2b**  
**Allied Waste Systems, Inc.**  
**2022 Bay Point Commercial Rates, by Selected Service Level**  
**(Per Customer, Per Month)**

Service Level	2021 Rate	2022 Rate	Rate Change
1 yd. 1x per week	\$175.87	\$189.13	\$13.26
2 yd. 1x per week	\$228.33	\$245.55	\$17.22

**Table 2c**  
**Allied Waste Systems, Inc.**  
**2022 Clyde/Central Sanitary Commercial Rates, by Selected Service Level**  
**(Per Customer, Per Month)**

Service Level	2021 Rate	2022 Rate	Rate Change
1 yd. 1x per week	\$164.73	\$177.15	\$12.42
2 yd. 1x per week	\$224.20	\$241.10	\$16.90

**Table 2d**  
**Allied Waste Systems, Inc.**  
**2022 Concord Commercial Rates, by Selected Service Level**  
**(Per Customer, Per Month)**

Service Level	2021 Rate	2022 Rate	Rate Change
1 yd. 1x per week	\$158.62	\$170.58	\$11.96
2 yd. 1x per week	\$244.27	\$262.69	\$18.42

**Table 2e**  
**Allied Waste Systems, Inc.**  
**2021 Morgan Territory Commercial Rates, by Selected Service Level**  
**(Per Customer, Per Month)**

Service Level	2021 Rate	2022 Rate	Rate Change
1 yd. 1x per week	\$158.62	\$170.58	\$11.96
2 yd. 1x per week	\$244.27	\$262.69	\$18.42

**Table 2f**  
**Allied Waste Systems, Inc.**  
**2021 Pacheco Commercial Rates, by Selected Service Level**  
**(Per Customer, Per Month)**

Service Level	2021 Rate	2022 Rate	Rate Change
1 yd. 1x per week	\$164.73	\$177.15	\$12.42
2 yd. 1x per week	\$224.20	\$241.10	\$16.90

## C. Background of Analysis

On October 29, 2021, AWS submitted a rate request to the County to cover new costs associated with SB 1383 compliance related activities. AWS's 2022 projected SB 1383 compliance costs primarily include:

- Weekly organics and recycling collection services – AWS projected an additional driver, and collection truck and maintenance costs, associated with transitioning from bi-weekly to weekly organics and recycling collection services
- Additional contamination monitoring – AWS projected an additional route auditing staff to monitor contamination of organic waste containers
- SB 1383 compliance reporting – AWS projected additional reporting staff time to support SB 1383 reporting activities.

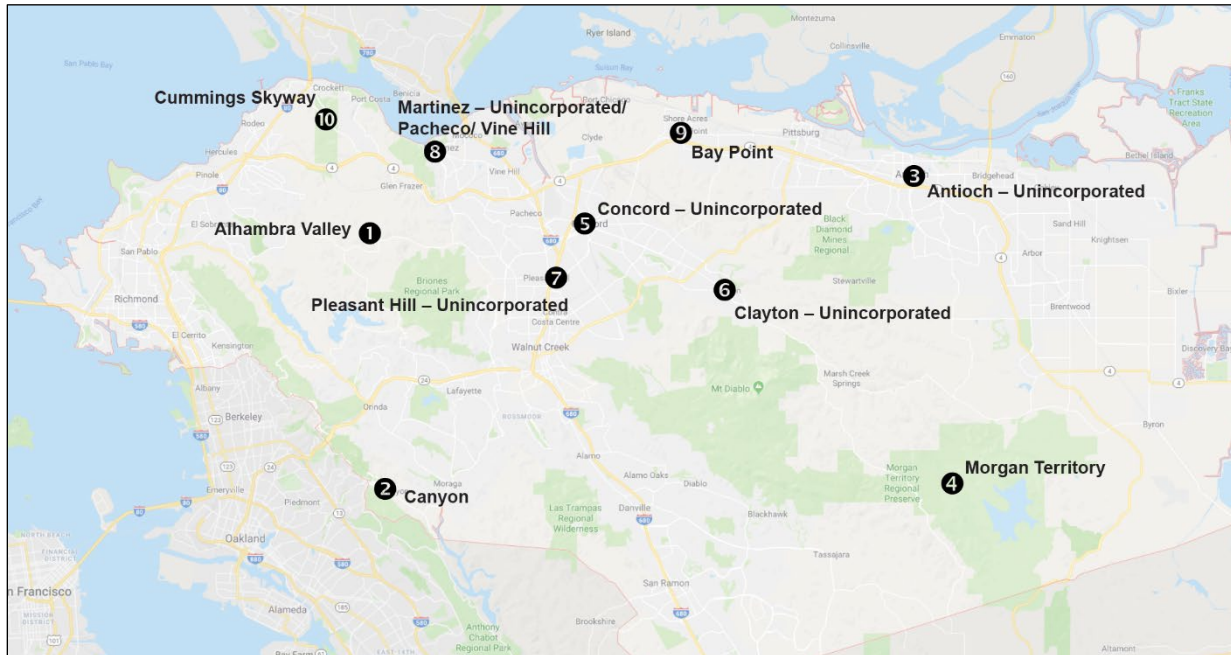
AWS operates under an exclusive franchise with the County to collect, and remove for disposal and recycling, residential, commercial, and light industrial solid waste, recyclable materials, and green waste (organics). On August 1, 1995, the County signed a twenty (20) year franchise agreement with Pleasant 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. The Franchise Agreement extended for twenty (20) years through July 31, 2015. 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.

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
2. Canyon
3. Antioch – Unincorporated areas
4. Morgan Territory
5. Concord – Unincorporated areas
6. Clayton – Unincorporated areas

7. Pleasant Hill – Unincorporated areas
8. Martinez Unincorporated/Pacheco/Vine Hill
9. Bay Point, Eastern
10. Cummings Skyway.

**Exhibit 1**  
**Unincorporated Contra Costa County**  
**Map of Allied Waste Systems, Inc. Service Areas**



AWS consolidates refuse collected from unincorporated County areas at the Contra Costa Transfer & Recovery Station in Martinez, California (CTRS) and transports refuse to Keller Canyon Landfill (located in unincorporated Contra Costa County) for disposal. Recyclables are long-hauled to the Newby Island Recyclery in San Jose, which is owned by Republic Services.

## D. Goals and Objectives of Analysis

The primary goal of this Analysis is to determine fair and equitable residential and commercial refuse charges that cover AWS's incremental new costs required to comply with SB 1383 requirements. AWS's Application is for an "extraordinary rate adjustment," which the Manual describes as follows:

*"Special extraordinary adjustments are allowed outside of the annual schedules of the base year and interim year adjustments. Special extraordinary adjustments also may be submitted simultaneously with an interim year application. Both the County and franchise hauler may initiate the extraordinary rate adjustment process. For these adjustments, the franchise hauler will provide necessary information and documentation so the County can make a judgment as to the reasonableness of such a rate adjustment. With Board of Supervisor approval, an extraordinary adjustment can be made by the franchise hauler."*

Fairness is demonstrated through a rigorous evaluation of AWS actual revenues and projected expenses to comply with SB 1383 requirements. 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. 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. The actual OR level, or profit, received by AWS in a base year, and in subsequent interim years, is not however, guaranteed.

## E. Scope of Analysis

The scope of work for this project is based on the Manual's requirements for an "extraordinary rate adjustment," within an interim year rate adjustment period. The scope of this Analysis included the following three (3) primary tasks:

1. Analyze AWS's SB 1383 Rate Request
2. Support County in discussions with AWS
3. Prepare Draft and Final Reports.

As part of this Analysis, we performed the following activities:

- Determined whether the SB 1383 rate request and model was mathematically correct and complete
- Assessed assumptions to comply with SB 1383 regarding incremental changes in routes, trucks, labor, operating costs, profits, and franchise fees
- Obtained documentation supporting baseline and incremental changes to AWS's costs (e.g., route data, number of drivers/laborers, depreciation schedules, and invoices validating operating costs)
- Compare incremental SB 1383 implementation costs, provided by AWS and others, experienced in similar jurisdictions
- Identify adjustments to the company's request, as necessary.

Crowe submitted a formal request to AWS on November 11, 2021. We received responses to our data request in November and December 2021. Crowe also met with AWS management on December 9, 2021 to ask Application-related questions and to provide AWS with an opportunity to provide additional context and explain responses to our data request.

## F. History of Collection Rates

Over the 22 years since the County implemented the Manual (1998 to 2021), County rate increases (shown in **Table 3**) averaged approximately 2.70 percent on a compounded basis (including rate increases for new programs). During this same timeframe the applicable CPI increased by approximately 2.75 percent on a compounded basis.

**Table 3**  
**Unincorporated Contra Costa County**  
**Historical Allied Waste Service Residential Refuse Collection Rate Changes**  
**(1998 to 2021)**

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
2016	+15.0 percent (base year)
2017	+15.05 percent (interim year) <sup>1</sup>
2018	+3.0 percent (interim year)
2019	+4.27 percent (interim year)
2020	No rate change (base year)
2021	+1.59 percent (Interim year)

## G. SB 1383 Rate Application

The County received AWS's SB 1383 Rate Change Application (Application) on October 29, 2021. A copy of the Application is provided in **Attachment A**, at the end of this report. AWS used year-to-date information to estimate 2021 financial results. Year 2022 results were entirely projected in the Application. AWS requested a 17.92 percent rate increase effective for 2022. This request corresponds to a \$4.11 per customer, per month, increase in the 32-gallon residential rate, the most common service level in this County franchise area.

<sup>1</sup> The 2016 base year rate increase recommendation was 28.8%, which provided funding for nine new/enhanced services requested by the county. This increase was implemented over two years as a 15% increase in 2016 and a 12% increase in 2017. The additional 3.05% increase in 2017 was a CPI increase for interim year 2017.

## H. Results of Analysis

This section provides detailed findings from Crowe's analysis of AWS's Application. Crowe analyzed the Application for consistency with the Manual, County policies, waste management industry practices, and SB 1383 requirements. We identify the impact of each our adjustments in terms of a dollar value increase or a decrease for each revenue and cost category shown in the Application. Our adjusted rate model is provided in **Attachment B**.

### Revenue Requirement

The revenue requirement is the amount of revenue that AWS needs to collect, through rates charged to customers, to cover the costs of providing the service, plus a reasonable financial return. Increasing the revenue requirement results in an increase in rates and decreasing the revenue requirement results in a decrease in rates. 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, as submitted in the Application, was \$4,181,042. This figure is shown on line 30 of the Application in Attachment A. Our analysis of the Application resulted in an overall decrease of \$368,874 to AWS's requested revenue requirement resulting in an adjusted 2022 revenue requirement of \$3,812,168, as shown in **Table 3**.

**Table 3**  
**Allied Waste Service, Inc.**  
**Adjusted 2022 Revenue Requirement**

Revenue Requirement Component	Projected 2022	Crowe Adjustments	Adjusted 2022
Total Allowable Costs	\$3,017,526	\$(440,274)	\$2,577,252
Allowable Operating Profits	450,895	(164,533)	286,362
Total Pass Through Costs	712,622	235,934	948,555
<b>Total Revenue Requirement</b>	<b>\$4,181,042</b>	<b>\$(368,874)</b>	<b>\$3,812,168</b>

### Revenues

#### Residential Revenues

AWS projected no changes in residential revenues between 2021 and 2022. We analyzed AWS's actual residential revenues through October 2021, and annualized total estimated 2021 residential revenues to determine projected 2022 residential revenues. We adjusted AWS's projected 2022 revenues from \$1,345,776 to \$1,281,329 based on the expectation of \$64,447 in revenue loss due to customer migration following the rate increase and the shift from bi-weekly to weekly organics collection service. We also adjusted AWS's projected 2022 allowance for uncollectible revenues from \$37,874 to \$25,627.

- Net Impact: \$76,694 decrease in projected 2022 residential revenues.



### Commercial and Light Industrial Revenues

AWS projected no changes in commercial and light industrial revenues between 2021 and 2022. We analyzed AWS's actual commercial and light industrial revenues through October 2021, and annualized total estimated 2021 commercial and light industrial revenues, to determine projected 2022 commercial and light industrial revenues. Our analysis resulted in an adjustment to AWS's projected commercial and light industrial revenues from \$2,255,910 to \$2,312,428. We also adjusted AWS's projected 2022 allowance for uncollectible commercial revenue from \$18,047 to \$23,124.

- Net Impact: \$61,595 increase in projected 2022 commercial and light industrial revenues.

### Recycling Revenues

In the Application, AWS projected \$0 in recycling revenues for 2022. Due to the fact that existing recycling revenues are netted from recycled material processing costs (resulting in an overall net cost which is captured in the tipping fee portion of the analysis), Crowe did not adjust AWS's projected recycling revenues for 2022.

- Net Impact: None.

### **Allowable Costs**

In its Application, AWS projected its 2022 allowable costs by accounting for the following two (2) factors:

1. CPI Escalation: AWS first adjusted its 2021 estimated costs by the Consumer Price Index (CPI) escalation factor to calculate its baseline 2022 projected costs. AWS utilized the CPI for the San Francisco-Oakland-San Jose area (all items, all urban consumers) from August 2020 to August 2021. The CPI change from August 2020 to August 2021 was 3.66 percent  $(311.167 - 300.182)/300.182$ . In accordance with the Manual, Crowe utilized the CPI rate change from June 2020 to June 2021, which equates to a 3.15 percent adjustment  $((309.497 - 300.032)/309.497)$ .
2. SB 1383 Compliance Costs: AWS added its projected SB 1383 compliance costs to its CPI-adjusted 2021 estimated costs.

In the remainder of this subsection, we provide additional details explaining how AWS applied these two (2) factors to determine projected 2022 allowable costs. We also identify and explain our adjustments to AWS's 2022 projected costs. The net impact for each cost category reflects our adjustment to the Application's CPI rate from 3.66 percent to 3.15 percent.

### Direct Labor

AWS's projected 2022 direct labor costs totaled \$1,127,708, which reflects:

- A 3.66 percent increase to its 2021 estimated direct labor costs of \$863,407, equating to \$895,008; plus,
- Projected SB 1383 direct labor costs, including:
  - An additional driver (equivalent to a 0.8 full time equivalent (FTE)) to support weekly versus bi-weekly organics and recycling hauling services totaling \$174,817 inclusive of salary, payroll taxes, and fringe benefits
  - An additional contamination auditor (equivalent to a 0.5 FTE) to support additional SB 1383 auditing activities totaling \$46,710 inclusive of salary, payroll taxes, and fringe benefits
  - An additional reporting staff (equivalent to a 0.15 FTE) to support additional SB 1383 reporting activities totaling \$11,173 inclusive of salary, payroll taxes, and fringe benefits.

Crowe analyzed system generated payroll reports, route history data, and collective bargaining agreements to verify AWS's direct labor assumptions to support the shift from bi-weekly (every other week) to weekly organics and recycling collection services. We adjusted the additional driver requirement from 0.8 FTE to 0.4 FTE to account for the driving labor only needed to support weekly organics collection services (and not including the shift from bi-weekly to weekly recycling collection) and the

driver's salary and benefit rate based on our analysis of the support provided by AWS, which resulted in a decrease of \$108,420. In addition, we adjusted the contamination auditor's base salary from \$60,000 to \$50,714 and the reporting staff's salary from \$47,840 to \$65,486 based on actual payroll schedules provided by AWS.

- Net Impact: \$115,891 decrease in projected 2022 direct labor costs.

#### Tipping Fees (Profit Allowed)

AWS's projected 2022 tipping fees (profit allowed) costs totaled \$780,046, which is based on:

- A requested increase in tipping fee cap allowed with profit from \$43.08 per ton to \$65 per ton
- Actual 2021 MSW (municipal solid waste), green waste, and recycling tonnage
- Estimated 2021 MSW, green waste, recycling tonnage
- Projected 2022 increase to 2021 recycling tonnage of 17 percent.

Tipping fees charged to County ratepayers reflect costs of operating the CCTRS and the costs of disposal at the Keller Canyon Landfill. According to the Manual, tipping fees are allowed with a profit and capped at \$43.08 per ton. Amounts above \$43.08 per ton are treated as a pass-through expense. We adjusted AWS's projected 2022 tipping fee (profit allowed) costs by adjusting the Application's per ton cost from \$65 per ton to \$43.08 per ton to reflect tipping fees allowed with profit, as specified in the Manual. We also adjusted AWS's projected 2022 tipping fee (profit allowed) by also applying the CPI increase of 3.15 percent.

- Net Impact: \$253,101 decrease in projected 2022 tipping fees (profit allowed) costs.

#### Corporate and Local General and Administrative Costs

AWS's projected 2022 corporate and local general and administrative (G&A) costs totaled \$395,436, which reflects:

- A 3.66 percent increase to its 2021 estimated G&A costs of \$380,509, equating to \$394,436; plus,
- Projected SB 1383 corporate and local general and administrative costs, including:
  - Recyclist Program Tracker subscription fee of \$1,000 to support additional SB 1383 reporting and compliance activities.

Crowe discussed and confirmed AWS' need for the additional Recyclist Program Tracker subscription to support SB 1383 reporting and compliance activities. We reduced AWS's projected 2022 corporate and local general and administrative costs based on our adjustment to the Application's CPI rate from 3.66 percent to 3.15 percent.

- Net Impact: \$1,923 decrease in projected 2022 corporate and local G&A costs.

#### Trucking and Equipment Costs

AWS's projected 2022 trucking and equipment costs totaled \$463,820, which reflects:

- A 3.66 percent increase to its 2021 estimated trucking and equipment costs of \$373,155, equating to \$386,813.47; plus,
- Projected SB 1383 trucking and equipment costs, including:
  - Projected fuel costs to support weekly versus bi-weekly organics and recycling hauling services totaling \$8,251
  - Projected annual registration and licensing costs for a new truck to support weekly versus bi-weekly organics and recycling hauling services totaling \$4,832
  - Projected maintenance costs for a new truck to support weekly versus bi-weekly organics and recycling hauling services totaling \$63,924.

Crowe obtained AWS documentation to support its projected fuel and maintenance costs. We also obtained actual invoices to support annual registration and licensing costs. We adjusted AWS's cost allocation basis for trucking and equipment costs from 0.8 to 0.4 to align with the driver's 0.4 FTE allocation to support weekly organics collection services (and not the shift from biweekly to weekly recycling services). This change in AWS's allocation basis decreased their 2022 projected fuel costs from \$8,251 to \$5,157. We further adjusted AWS's projected 2022 maintenance costs based on our analysis of an internal schedule indicating lower actual maintenance costs, which lowered maintenance costs from \$63,924 to \$25,297. We also adjusted AWS's projected annual registration and licensing costs from \$4,832 to \$1,660 based on our analysis of the provided invoices.

- Net Impact: \$46,779 decrease in projected 2022 trucking and equipment costs.

#### Depreciation and Other Operating Costs

AWS's projected 2022 depreciation and other operating costs totaled \$250,516, which reflects:

- A 3.66 percent increase to its 2021 estimated costs depreciation and other operating costs of \$200,303 equating to \$207,634; plus,
- Projected SB 1383 depreciation and other operating costs, including:
  - Projected annual depreciation for a new truck to support weekly versus bi-weekly organics and recycling hauling services totaling \$28,320
  - Projected annual depreciation for pails delivered residential customers totaling \$2,861
  - Projected annual depreciation for refurbishing commercial bins totaling \$11,701.

Crowe obtained actual invoices supporting the actual cost for a new collection truck. We adjusted the total projected truck cost from \$354,000 to \$426,293 based on actual documentation provided by AWS. We further adjusted AWS's cost allocation basis for its new truck depreciation costs from 0.8 to 0.4 to align with the driver's 0.4 FTE allocation to support weekly organics collection services. In addition, we adjusted AWS's depreciation assumption for the new truck from 10 years to 8 years based on the Manual's depreciation useful life for vehicles. After discussion with the County, we removed AWS's projected annual depreciation costs for pails because costs associated with these items are not essential to support AWS's compliance with SB 1383 requirements in 2022. In addition, we removed the \$11,701 in bin refurbishing costs as both the County and AWS determined that this was not a necessity for SB 1383 compliance at this time.

- Net Impact: \$22,580 decrease in projected 2022 depreciation and other operating costs.

#### **Pass Through Costs**

##### Tipping Fees (Pass-Through)

AWS's projected 2022 tipping fees (pass-through) costs totaled \$419,949, which reflects:

- Projected total MSW disposal and recycling processing costs (\$101.19 per ton) less tipping fees (profit allowed) costs (\$65 per ton), plus
- Projected total green waste processing costs (\$93.24 per ton) less tipping fees (profit allowed) costs (\$65 per ton).

We reduced AWS's projected tipping fees (profit allowed) costs from \$65 per ton to reflect the Manual's cap at \$43.08 per ton. This resulted in an offsetting increase in pass-through tipping fee costs as a result of adjusting the pass-through tipping fee rate applied to all costs above \$43.08 per ton rather than \$65 per ton in the Application. See our discussion under "Tipping Fees (Profit Allowed)" for additional details.

- Net Impact: \$261,755 increase in projected 2022 tipping fees (pass through) costs.

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 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. We adjusted AWS’s projected 2022 franchise fees from \$292,673 to \$266,852 based on our adjustments to AWS’s projected 2022 total allowable costs.

- Net Impact: \$25,821 decrease in projected 2022 franchise fees.

**Allowable Operating Profit**

AWS’s projected 2022 allowable operating profit totaled \$450,895, which reflects:

- An 87 percent operating ratio, and
- Projected \$3,017,526 total allowable costs.

The Manual specifies AWS’s projected operating ratio should fall between 88 percent and 92 percent. In accordance with the Manual, we adjusted AWS’s projected operating ratio from 87 percent to 90 percent to rebase the projected allowable profit. This resulted in an adjustment to AWS’s projected 2022 operating profit from \$450,895 to \$286,362 based on our adjustment to AWS’s projected 2022 total allowable costs (from \$3,017,526 to \$2,577,252) and its operating ratio, shown in **Table 4**.

- Net Impact: \$164,533 decrease in projected 2022 allowable operating profit.

**Table 4**  
**Allowable Operating Profit Calculation**

Description	Projected 2022	Crowe Adjustment	Adjusted 2022
Total Allowable Costs (line 7)	\$3,017,526	\$(440,274)	\$2,577,252
Operating Ratio (line 8)	87.0%	3%	90.0%
Total Allowable Costs / Operating Ratio	3,468,420		2,863,613
Less Total Allowable Costs (line 7)	3,017,526		2,577,252
<b>Equals Total Allowable Operating Profit</b>	<b>\$450,895</b>	<b>\$(164,533)</b>	<b>\$286,362</b>

With the company’s profit level rebased from 87 percent to 90 percent, and the overall adjustments detailed within this subsection, we calculate a rate increase of 7.54 percent. This is shown in the Adjusted Base Year 2022 column (line 26) of Attachment B.

\* \* \* \* \*



Ms. Deidra Dingman  
June 8, 2022

Page 13

If you have any questions regarding this Analysis, or any of the contents of this letter report, please do not hesitate to contact Erik Nylund at (415) 230-4963.

Very truly yours,

**Crowe LLP**



Ms. Deidra Dingman  
June 8, 2022

Page 14

Attachment A: SB 1383 Rate Application

**Attachment A** includes the 2022 (Application) submitted by AWS to the County. In the Application, AWS proposed to increase unincorporated County collection rates by 17.92 percent in 2022. The Application included the following forms:

- Financial information
- Revenue summary; Crowe identified formula and mathematical errors and did not rely on this summary to prepare our adjustments to AWS's projected 2022 residential, commercial and industrial revenues
- Single family residential revenues summary (including current rates and accounts)
- Operating information
- Rate change requested (including current and proposed rates).

**Financial Information**

Actual Historical Years			Estimated Current Year	Projected Base Year
Year 1	Year 2	Year 3	Year 4	Year 5
2018	2019	2020	2021	2022

Section I - Allowable Costs

1. Direct Labor	794,538	828,220	887,897	863,407	1,127,708
2. Tipping Fees (Profit Allowed)	500,229	495,848	502,240	510,830	780,046
3. Corporate, Local General and Administrative Costs	220,253	287,548	220,253	380,509	395,436
4. Trucking and Equipment	362,799	474,912	362,799	373,155	463,820
5. Depreciation and Other Operating Costs	296,067	293,906	296,067	200,303	250,516
6. Services Provided to City	13,670	38,959	13,670	-	-
7. Total Allowable Costs (Lines 1+2+3+4+5+6)	2,187,556	2,419,393	2,282,926	2,328,204	3,017,526

Section II - Allowable Operating Profit

8. Operating Ratio	89.4%	94.2%	91.5%	74.3%	87.0%
9. Allowable Operating Profit [(Line 7 / Line 8) - Line 7]	258,892	148,106	212,100	803,243	450,895

Section III - Pass Through Costs without Franchise Fees

10. Administrative Fee	-	-	-	-	-
11. Tipping Fees (Pass Through)	617,708	683,609	617,416	78,069	419,949
12. Total Pass Through costs (without Franchise Fees) (Lines 10+11)	617,708	683,609	617,416	78,069	419,949

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)	3,064,156	3,251,107	3,112,442	3,209,516	3,888,369
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Section V - Revenue without Rate Change in Base Year

14. Residential Revenue					1,345,776
15. Less Allowance for Uncollectible Residential Accounts					37,874
16. Total Residential Revenue (without Rate Change in Base Year)	1,247,215	1,306,015	1,261,720	1,307,902	1,307,902
17. Commercial and Light Industrial Revenue					2,255,910
18. Less Allowance for Uncollectible Commercial and Light Industrial Accounts					18,047
19. Total Commercial/Light Industrial Revenue (without Rate Change in Base Year)	2,136,539	2,234,769	2,153,272	2,255,910	2,237,863
20. Recycled Material Sales	4,402	-	-	-	-
21. Total Revenue (Lines 16+19+20)	3,388,156	3,540,784	3,414,992	3,563,812	3,545,765

Section VI - Net Shortfall (Surplus)

22. Net Shortfall (Surplus) without Franchise Fees (Line 13 - Line 21)					342,604
23. Residential/Commercial/Light Industrial Franchise Fees (see calculation below)	224,345	233,533	224,345	243,391	292,673
24. Net Shortfall (Surplus) with Franchise Fees (Line 22 + 23)					635,277

25. Total Residential/Commercial/Light Industrial Revenue Prior to Rate Change (Lines 16 + 19)					3,545,765
26. Percent Change in Existing Residential/Commercial/Light Industrial Rates (Line 24 / Line 25)					17.92%

Equation 1) Line 13 X .10 = X  
Equation 2) Line 13 + X  
X = (Line 13 x 0.10) / 0.90

**2022**  
**292,673**

27. Total Allowable Costs (Line 7)	3,017,526
28. Allowable Operating Profits (Line 9)	450,895
29. Total Pass Through Costs (with Franchise Fees) (Line 12+23)	712,622
30. 2022 Revenue Requirement (Lines 27+28+29)	4,181,042
Franchise Fee Rate	7.00%



**Revenue Summary**

**Section IX - Revenue**

Actual			Estimated Current Year	Projected Base Year
Historical Years				
Year 1	Year 2	Year 3	Year 4	Year 5
2018	2019	2020	2021	2022

**Single Family Residential Service**

43. Single Family Residential Revenue (Base Year from Page 4 of 6)	1,247,215	1,306,015	1,261,720	1,307,902	1,345,776
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Multiunit Residential Service (all contained within the Single Family Service)

44. Number of Accounts					
45. Multi-unit Residential Revenue					
46. Residential Revenue (w/o Allowance for Uncollectible Accounts)(Line 43+45)	1,247,215	1,306,015	1,261,720	1,307,902	1,345,776
47. Allowance for Uncollectible Accounts	26,192	27,426	26,496	27,466	28,261
<b>48. Total Residential Revenue (Line 46 + Line 47)</b>	<b>1,221,023</b>	<b>1,278,589</b>	<b>1,235,224</b>	<b>1,280,436</b>	<b>1,317,514</b>

**Commercial and Light Industrial Can Service**

49. Number of Accounts	332	330	237	237	237
50. Commercial and Light Industrial Can Revenues	408,262	479,659	445,862	464,900	478,847

**Commercial and Light Industrial Bin Service**

51. Number of Accounts	191	204	197	197	197
52. Commercial and Light Industrial Bin Revenues	966,568	1,102,721	1,199,990	1,251,230	1,288,767

**Commercial and Light Industrial Drop Box Service**

53. Number of Accounts	38	38	38	38	38
54. Commercial and Light Industrial Drop Box Service	404,714	469,924	490,687	511,639	526,989

55. Commercial and Light Industrial Revenue (w/o Allowance for Uncollectible Accounts) (Lines 50+52+54)	1,779,544	2,052,304	2,136,539	2,227,769	2,294,602
56. Allowance for Uncollectible Commercial and Light Industrial Accounts	14,236	16,418	17,092	17,822	18,357
<b>57. Total Commercial and Light Industrial Revenue (Line 55 + Line 56)</b>	<b>1,765,308</b>	<b>2,035,886</b>	<b>2,119,447</b>	<b>2,209,947</b>	<b>2,276,245</b>

58. Recycled Material Sales	4,402	-	-	-	-
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<b>59. Total Revenue (Lines 48+ 57+58)</b>	<b>2,990,733</b>	<b>3,314,474</b>	<b>3,354,671</b>	<b>3,490,383</b>	<b>3,593,760</b>
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Ms. Deidra Dingman  
June 8, 2022

Single Family Residential Summary

Section X - Single Family Residential Revenue

Single Family Residential Revenue (without Rate Change in Base Year)			Current Rate/Month	Projected Accounts	Projected Base Year 2022 Total
<b>Size</b>	<b>Contract</b>				
20 GALLON CART	B	18 ALHAMBRA VALLEY	17.53	35	7,362.60
20 GALLON CART	D	2 BAY POINT	17.53	200	42,072.00
20 GALLON CART	H	14 CENTRAL SANITARY	17.53	22	4,627.92
20 GALLON CART	J	3 CONCORD	17.53	2	420.72
20 GALLON CART	M	19 MORGAN TERRITORY	17.53	11	2,313.96
20 GALLON CART	O	5 PACHECO	17.53	113	23,770.68
20 GALLON CART		PLEASANT HILL UNINCORPORATED	17.53	6	1,262.16
Subtotal				389	81,830.04
32 GALLON CART		ALHAMBRA VALLEY	22.95	111	30,569.40
32 GALLON CART		BAY POINT	22.95	703	193,606.20
32 GALLON CART		CANYON	28.01	40	13,444.80
32 GALLON CART		CENTRAL SANITARY	22.95	104	28,641.60
32 GALLON CART		CONCORD	22.95	7	1,927.80
32 GALLON CART		MORGAN TERRITORY	22.95	49	13,494.60
32 GALLON CART		PACHECO	22.95	297	81,793.80
32 GALLON CART		PLEASANT HILL UNINCORPORATED	22.95	18	4,957.20
32 GALLON CART / EXTRA RECYCLING CART		BAY POINT	25.82		-
32 GALLON CART / EXTRA YARDWASTE CART		ALHAMBRA VALLEY	30.17	1	362.04
Subtotal				1,330	368,797.44
2 - 32 GALLON CARTS		MORGAN TERRITORY	35.26		-
2 - 32 GALLON CARTS		ALHAMBRA VALLEY	35.26	-	-
2 - 32 GALLON CARTS		PLEASANT HILL UNINCORPORATED	35.26		-
Subtotal				-	-
3 - 32 GALLON CARTS		ALHAMBRA VALLEY	47.92	1	575.04
Subtotal				1	575.04
64 GALLON CART		ALHAMBRA VALLEY	34.21	99	40,641.48
64 GALLON CART		BAY POINT	34.21	644	264,374.88
64 GALLON CART		CANYON	32.59	8	3,128.64
64 GALLON CART		CENTRAL SANITARY	34.21	82	33,662.64
64 GALLON CART		CONCORD	34.21	7	2,873.64
64 GALLON CART		MORGAN TERRITORY	34.21	71	29,146.92
64 GALLON CART		PACHECO	34.21	250	102,630.00
64 GALLON CART		PLEASANT HILL UNINCORPORATED	34.21	22	9,031.44
Subtotal				1,183	485,489.64
2-64 GALLON CARTS		ALHAMBRA VALLEY	58.32	8	5,598.72
2-64 GALLON CARTS		CONCORD	58.32	2	1,399.68
2-64 GALLON CARTS		MORGAN TERRITORY	58.32	2	1,399.68
Subtotal				12	8,398.08
96 GALLON CART		ALHAMBRA VALLEY	44.38	59	31,421.04
96 GALLON CART		BAY POINT	44.38	392	208,763.52
96 GALLON CART		CANYON	37.17	3	1,338.12
96 GALLON CART		CENTRAL SANITARY	44.38	43	22,900.08
96 GALLON CART		CONCORD	44.38	12	6,390.72
96 GALLON CART		MORGAN TERRITORY	44.38	70	37,279.20
96 GALLON CART		PACHECO	44.38		-
96 GALLON CART		PLEASANT HILL UNINCORPORATED	44.38	15	7,988.40
Subtotal				594	316,081.08
96 GALLON CART / EXTRA YARDWASTE CART		ALHAMBRA VALLEY	50.80		-
96 GALLON CART / EXTRA YARDWASTE CART		CONCORD	50.80	4	2,438.40
96 GALLON CART / EXTRA YARDWASTE CART		MORGAN TERRITORY	50.80	2	1,219.20
Subtotal				6	3,657.60
96 GALLON CART / EXTRA RECYCLING CART		ALHAMBRA VALLEY	46.52		-
Subtotal				-	-

2-96 GALLON CARTS	ALHAMBRA VALLEY	78.66	16	15,102.72
2-96 GALLON CARTS	BAY POINT	78.66	34	32,093.28
2-96 GALLON CARTS	CONCORD	66.82	7	5,612.88
2-96 GALLON CARTS	MORGAN TERRITORY	78.66	8	7,551.36
2-96 GALLON CARTS	PACHECO	78.66	2	1,887.84
2-96 GALLON CARTS / EXTRA RECYCLING	MORGAN TERRITORY	80.27		-
2-96 GALLON CARTS / EXTRA RECYCLING / EXTRA YARD WASTE	CENTRAL SANITARY	88.76	4	4,260.48
Subtotal			71	66,508.56
3-96 GALLON CARTS	BAY POINT	111.19	3	4,002.84
3-96 GALLON CARTS	CONCORD	111.19		-
3-96 GALLON CARTS / 2 EXTRA RECYCLING 2 EXTRA YARDWASTE	CONCORD	131.07		-
Subtotal			3	4,002.84
4-96 GALLON CARTS	BAY POINT	144.94	4	6,957.12
Subtotal			4	6,957.12
EXTRA YARDWASTE CARTS	ALHAMBRA VALLEY	7.11	15	1,279.80
EXTRA YARDWASTE CARTS	BAY POINT	7.11	5	426.60
EXTRA YARDWASTE CARTS	CENTRAL SANITARY/CLYDE	7.11	1	85.32
EXTRA YARDWASTE CARTS	CONCORD	7.11	11	938.52
EXTRA YARDWASTE CARTS	PACHECO	7.11	-	-
EXTRA YARDWASTE CARTS	MORGAN TERRITORY	7.11	2	170.64
Subtotal			34	2,900.88
EXTRA RECYCLING CARTS	BAY POINT	2.83	4	135.84
EXTRA RECYCLING CARTS	CENTRAL SANITARY/CLYDE	2.83	1	33.96
EXTRA RECYCLING CARTS	MORGAN TERRITORY	2.83	6	203.76
EXTRA RECYCLING CARTS	PACHECO	2.83	6	203.76
Subtotal			17	577.32
60. Total Base Year Single Family Residential			3,644	1,345,775.64



Ms. Deidra Dingman  
June 8, 2022

Commercial Summary

Commercial Revenue						Projected Base Year 2021	Increased Rate 17.92%	Projected Base Year 2022
Commercial Revenue (without Rate Change in Base Year)						Current Rate/Month	Projected Accounts	Total
Service level	Frequency	Contract						
32 GALLON CART	1	ALHAMBRA VALLEY				-		
32 GALLON CART	1	BAY POINT				-		
32 GALLON CART	1	CANYON				-		
32 GALLON CART	1	CENTRAL SANITARY				-		
32 GALLON CART	1	CONCORD				-		
32 GALLON CART	1	MORGAN TERRITORY				-		
32 GALLON CART	1	PACHECO				-		
32 GALLON CART	1	PLEASANT HILL UNINCORPORATED				-		
Subtotal						-		
2 - 32 GALLON CARTS	1	PACHECO				-		
4 - 32 GALLON CARTS	1	BAY POINT				-		
8 - 32 GALLON CARTS	1	BAY POINT				-		
11 - 32 GALLON CARTS	1	BAY POINT				-		
13 - 32 GALLON CARTS	1	BAY POINT				-		
17 - 32 GALLON CARTS	1	BAY POINT				-		
40 - 32 GALLON CARTS	1	PACHECO				-		
157 - 32 GALLON CARTS	1	PACHECO				-		
218 - 32 GALLON CARTS	1	PACHECO				-		
218 - 32 GALLON CARTS	1	CENTRAL SANITARY				-		
Subtotal						-		
64 GALLON CART	1	ALHAMBRA VALLEY				-		
64 GALLON CART	1	BAY POINT				-		
64 GALLON CART	1	CANYON				-		
64 GALLON CART	1	CENTRAL SANITARY				-		
64 GALLON CART	1	CONCORD				-		
64 GALLON CART	1	MORGAN TERRITORY				-		
64 GALLON CART	1	PACHECO				-		
64 GALLON CART	1	PLEASANT HILL UNINCORPORATED				-		
2-64 GALLON CARTS	1	BAY POINT				-		
2-64 GALLON CARTS	1	PACHECO				-		
3-64 GALLON CARTS	1	BAY POINT				-		
4-64 GALLON CARTS	1	BAY POINT				-		
9-64 GALLON CARTS	1	CENTRAL SANITARY				-		
94-64 GALLON CARTS	1	CONCORD				-		
Subtotal						-		
96 GALLON CART	1	ALHAMBRA VALLEY				-		
96 GALLON CART	1	BAY POINT				-		
96 GALLON CART	1	CANYON				-		
96 GALLON CART	1	CENTRAL SANITARY				-		
96 GALLON CART	1	CONCORD				-		
96 GALLON CART	1	MORGAN TERRITORY				-		
96 GALLON CART	1	PACHECO				-		
96 GALLON CART	1	PLEASANT HILL UNINCORPORATED				-		
Subtotal						-		
2 -96 GALLON CART	1	ALHAMBRA VALLEY				-		
2 -96 GALLON CART	1	BAY POINT				-		
2 -96 GALLON CART	1	CANYON				-		
2 -96 GALLON CART	1	CENTRAL SANITARY				-		
2 -96 GALLON CART	1	CONCORD				-		
2 -96 GALLON CART	1	MORGAN TERRITORY				-		
2 -96 GALLON CART	1	PACHECO				-		
2 -96 GALLON CART	1	PLEASANT HILL UNINCORPORATED				-		
Subtotal						-		

3 -96 GALLON CART	1	ALHAMBRA VALLEY			-		
3 -96 GALLON CART	1	BAY POINT			-		
3 -96 GALLON CART	1	CANYON			-		
3 -96 GALLON CART	1	CENTRAL SANITARY			-		
3 -96 GALLON CART	1	CONCORD			-		
3 -96 GALLON CART	1	MORGAN TERRITORY			-		
3 -96 GALLON CART	1	PACHECO			-		
3 -96 GALLON CART	1	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		
4 -96 GALLON CART	1	ALHAMBRA VALLEY			-		
4 -96 GALLON CART	1	BAY POINT			-		
4 -96 GALLON CART	1	CANYON			-		
4 -96 GALLON CART	1	CENTRAL SANITARY			-		
4 -96 GALLON CART	1	CONCORD			-		
4 -96 GALLON CART	1	MORGAN TERRITORY			-		
4 -96 GALLON CART	1	PACHECO			-		
4 -96 GALLON CART	1	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		
5 -96 GALLON CART	1	PACHECO			-		
					-		
6 -96 GALLON CART	1	CONCORD			-		
					-		
4 -96 GALLON CART	2	BAY POINT			-		
					-		
1 Yard	1	ALHAMBRA VALLEY			-		
1 Yard	1	BAY POINT			-		
1 Yard	1	CANYON			-		
1 Yard	1	CENTRAL SANITARY			-		
1 Yard	1	CONCORD			-		
1 Yard	1	MORGAN TERRITORY			-		
1 Yard	1	PACHECO			-		
1 Yard	1	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		
1 Yard	2	PACHECO			-		
Subtotal					-		
2 Yard	1	ALHAMBRA VALLEY			-		
2 Yard	1	BAY POINT			-		
2 Yard	1	CANYON			-		
2 Yard	1	CENTRAL SANITARY			-		
2 Yard	1	CONCORD			-		
2 Yard	1	MORGAN TERRITORY			-		
2 Yard	1	PACHECO			-		
2 Yard	1	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		
2 Yard	2	ALHAMBRA VALLEY			-		
2 Yard	2	BAY POINT			-		
2 Yard	2	CANYON			-		
2 Yard	2	CENTRAL SANITARY			-		
2 Yard	2	CONCORD			-		
2 Yard	2	MORGAN TERRITORY			-		
2 Yard	2	PACHECO			-		
2 Yard	2	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		
2 Yard Compactor	2	BAY POINT			-		
Subtotal					-		
3 Yard	1	ALHAMBRA VALLEY			-		
3 Yard	1	BAY POINT			-		
3 Yard	1	CANYON			-		
3 Yard	1	CENTRAL SANITARY			-		
3 Yard	1	CONCORD			-		
3 Yard	1	MORGAN TERRITORY			-		
3 Yard	1	PACHECO			-		
3 Yard	1	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		
2-3 Yard	1	ALHAMBRA VALLEY			-		
2-3 Yard	1	BAY POINT			-		
2-3 Yard	1	CANYON			-		
2-3 Yard	1	CENTRAL SANITARY			-		
2-3 Yard	1	CONCORD			-		
2-3 Yard	1	MORGAN TERRITORY			-		
2-3 Yard	1	PACHECO			-		
2-3 Yard	1	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		
3 Yard	2	ALHAMBRA VALLEY			-		
3 Yard	2	BAY POINT			-		
3 Yard	2	CANYON			-		
3 Yard	2	CENTRAL SANITARY			-		
3 Yard	2	CONCORD			-		
3 Yard	2	MORGAN TERRITORY			-		
3 Yard	2	PACHECO			-		
3 Yard	2	PLEASANT HILL UNINCORPORATED			-		
Subtotal					-		

2-3 Yard	2	ALHAMBRA VALLEY			-	
2-3 Yard	2	BAY POINT			-	
2-3 Yard	2	CANYON			-	
2-3 Yard	2	CENTRAL SANITARY			-	
2-3 Yard	2	CONCORD			-	
2-3 Yard	2	MORGAN TERRITORY			-	
2-3 Yard	2	PACHECO			-	
2-3 Yard	2	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
3-3 Yard	2	ALHAMBRA VALLEY			-	
3-3 Yard	2	BAY POINT			-	
3-3 Yard	2	CANYON			-	
3-3 Yard	2	CENTRAL SANITARY			-	
3-3 Yard	2	CONCORD			-	
3-3 Yard	2	MORGAN TERRITORY			-	
3-3 Yard	2	PACHECO			-	
3-3 Yard	2	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
4 Yard	1	ALHAMBRA VALLEY			-	
4 Yard	1	BAY POINT			-	
4 Yard	1	CANYON			-	
4 Yard	1	CENTRAL SANITARY			-	
4 Yard	1	CONCORD			-	
4 Yard	1	MORGAN TERRITORY			-	
4 Yard	1	PACHECO			-	
4 Yard	1	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
4 Yard	1	BAY POINT			-	
Subtotal					-	
2-4 Yard	1	ALHAMBRA VALLEY			-	
2-4 Yard	1	BAY POINT			-	
2-4 Yard	1	CANYON			-	
2-4 Yard	1	CENTRAL SANITARY			-	
2-4 Yard	1	CONCORD			-	
2-4 Yard	1	MORGAN TERRITORY			-	
2-4 Yard	1	PACHECO			-	
2-4 Yard	1	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
3-4 Yard	1	ALHAMBRA VALLEY			-	
3-4 Yard	1	BAY POINT			-	
3-4 Yard	1	CANYON			-	
3-4 Yard	1	CENTRAL SANITARY			-	
3-4 Yard	1	CONCORD			-	
3-4 Yard	1	MORGAN TERRITORY			-	
3-4 Yard	1	PACHECO			-	
3-4 Yard	1	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
4-4 Yard	1	ALHAMBRA VALLEY			-	
4-4 Yard	1	BAY POINT			-	
4-4 Yard	1	CANYON			-	
4-4 Yard	1	CENTRAL SANITARY			-	
4-4 Yard	1	CONCORD			-	
4-4 Yard	1	MORGAN TERRITORY			-	
4-4 Yard	1	PACHECO			-	
4-4 Yard	1	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
4 Yard	2	ALHAMBRA VALLEY			-	
4 Yard	2	BAY POINT			-	
4 Yard	2	CANYON			-	
4 Yard	2	CENTRAL SANITARY			-	
4 Yard	2	CONCORD			-	
4 Yard	2	MORGAN TERRITORY			-	
4 Yard	2	PACHECO			-	
4 Yard	2	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
2-4 Yard	2	ALHAMBRA VALLEY			-	
2-4 Yard	2	BAY POINT			-	
2-4 Yard	2	CANYON			-	
2-4 Yard	2	CENTRAL SANITARY			-	
2-4 Yard	2	CONCORD			-	
2-4 Yard	2	MORGAN TERRITORY			-	
2-4 Yard	2	PACHECO			-	
2-4 Yard	2	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
4 Yard	3	ALHAMBRA VALLEY			-	
4 Yard	3	BAY POINT			-	
4 Yard	3	CANYON			-	
4 Yard	3	CENTRAL SANITARY			-	
4 Yard	3	CONCORD			-	
4 Yard	3	MORGAN TERRITORY			-	
4 Yard	3	PACHECO			-	
4 Yard	3	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	

3- 4 Yard	3	ALHAMBRA VALLEY			-	
3- 4 Yard	3	BAY POINT			-	
3- 4 Yard	3	CANYON			-	
3- 4 Yard	3	CENTRAL SANITARY			-	
3- 4 Yard	3	CONCORD			-	
3- 4 Yard	3	MORGAN TERRITORY			-	
3- 4 Yard	3	PACHECO			-	
3- 4 Yard	3	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
4- 4 Yard	3	ALHAMBRA VALLEY			-	
4- 4 Yard	3	BAY POINT			-	
4- 4 Yard	3	CANYON			-	
4- 4 Yard	3	CENTRAL SANITARY			-	
4- 4 Yard	3	CONCORD			-	
4- 4 Yard	3	MORGAN TERRITORY			-	
4- 4 Yard	3	PACHECO			-	
4- 4 Yard	3	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
4 Yard	5	ALHAMBRA VALLEY			-	
4 Yard	5	BAY POINT			-	
4 Yard	5	CANYON			-	
4 Yard	5	CENTRAL SANITARY			-	
4 Yard	5	CONCORD			-	
4 Yard	5	MORGAN TERRITORY			-	
4 Yard	5	PACHECO			-	
4 Yard	5	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
5 Yard	1	ALHAMBRA VALLEY			-	
5 Yard	1	BAY POINT			-	
5 Yard	1	CANYON			-	
5 Yard	1	CENTRAL SANITARY			-	
5 Yard	1	CONCORD			-	
5 Yard	1	MORGAN TERRITORY			-	
5 Yard	1	PACHECO			-	
5 Yard	1	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
5 Yard	2	ALHAMBRA VALLEY			-	
5 Yard	2	BAY POINT			-	
5 Yard	2	CANYON			-	
5 Yard	2	CENTRAL SANITARY			-	
5 Yard	2	CONCORD			-	
5 Yard	2	MORGAN TERRITORY			-	
5 Yard	2	PACHECO			-	
5 Yard	2	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
6 Yard	1	ALHAMBRA VALLEY			-	
6 Yard	1	BAY POINT			-	
6 Yard	1	CANYON			-	
6 Yard	1	CENTRAL SANITARY			-	
6 Yard	1	CONCORD			-	
6 Yard	1	MORGAN TERRITORY			-	
6 Yard	1	PACHECO			-	
6 Yard	1	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
6 Yard	2	ALHAMBRA VALLEY			-	
6 Yard	2	BAY POINT			-	
6 Yard	2	CANYON			-	
6 Yard	2	CENTRAL SANITARY			-	
6 Yard	2	CONCORD			-	
6 Yard	2	MORGAN TERRITORY			-	
6 Yard	2	PACHECO			-	
6 Yard	2	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
6 Yard	5	ALHAMBRA VALLEY			-	
6 Yard	5	BAY POINT			-	
6 Yard	5	CANYON			-	
6 Yard	5	CENTRAL SANITARY			-	
6 Yard	5	CONCORD			-	
6 Yard	5	MORGAN TERRITORY			-	
6 Yard	5	PACHECO			-	
6 Yard	5	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	
8 Yard	1	ALHAMBRA VALLEY			-	
8 Yard	1	BAY POINT			-	
8 Yard	1	CANYON			-	
8 Yard	1	CENTRAL SANITARY			-	
8 Yard	1	CONCORD			-	
8 Yard	1	MORGAN TERRITORY			-	
8 Yard	1	PACHECO			-	
8 Yard	1	PLEASANT HILL UNINCORPORATED			-	
Subtotal					-	





**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
2018		2019		2020		2021		2022

**Section XI - Operating Data**

**Accounts**

61. Residential	3,483	5.1%	3,661	1.6%	3,718	-0.1%	3,714	0.0%	3,714
62. Commercial	300	7.3%	322	-1.6%	317	-1.9%	311	0.0%	311
63. Light Industrial	38	-21.1%	30	-10.0%	27	14.8%	31	0.0%	31
64. Total Accounts	3,821	5.0%	4,013	1.2%	4,062	-0.1%	4,056	0.0%	4,056

**Waste Tonnage**

65. Residential	3,499.9	2.2%	3,575.7	10.0%	3,933.5	0.0%	3,933.5	0.0%	3,933.5
66. Commercial	3,199.3	-2.2%	3,130.3	-8.9%	2,851.8	0.0%	2,851.8	0.0%	2,851.8
67. Light Industrial	2,627.2	10.4%	2,901.2	-18.1%	2,377.5	0.0%	2,377.5	0.0%	2,377.5
68. Total Tons	9,326.4	3.0%	9,607.2	-4.6%	9,162.7	0.0%	9,162.7	0.0%	9,162.7

**Recyclable Tonnage**

69. Residential	2,112.1	19.7%	2,527.4	-16.4%	2,112.1	0.0%	2,112.1	0.0%	2,112.1
70. Commercial	589.8	15.4%	680.6	-13.3%	589.8	0.0%	589.8	0.0%	589.8
71. Light Industrial	141.1	-34.1%	93.0	51.7%	141.1	0.0%	141.1	0.0%	141.1
72. Total Tons	2,843.0	16.1%	3,301.0	-13.9%	2,843.0	0.0%	2,843.0	0.0%	2,843.0

**City Services**

73. City Bins	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
74. City Drop Boxes	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-

**Section XII - Change in Commercial Rates**

75. 3 Yd. Bin - 1X per week	263.84	15.1%	303.55	3.0%	312.66	4.3%	326.01	0.0%	326.01
76. 2 Yd. Bin - 1X per week	178.61	15.0%	205.49	3.0%	211.65	4.3%	220.69	0.0%	220.69
77. 20 Yd. Box - per pick up	397.56	15.0%	457.39	3.0%	471.11	4.3%	491.23	0.0%	491.23

**Unincorporated Area: All Residential (Excluding Canyon)**

Rate Change	
78. Rate Change Requested	17.92%

**Rate Schedule**

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
20g MSW / 64g RECY / 96g YW	17.53	20.67		20.67
32g MSW / 64g RECY / 96g YW	22.94	27.05		27.05
64g MSW / 64g RECY / 96g YW	34.21	40.34		40.34
96g MSW / 64g RECY / 96g YW	44.38	52.33		52.33
		-		-
96-GAL MSW (2) / 64-GAL RECY / 96-GAL YW	81.54	96.15		96.15
96-GAL MSW (3) / 64-GAL RECY / 96-GAL YW	95.18	112.23		112.23
96-GAL MSW (4) / 64-GAL RECY / 96-GAL YW	147.25	173.63		173.63
		-		-
20g MSW / 96g RECY / 96g YW	17.53	20.67		20.67
32g MSW / 96g RECY / 96g YW	22.94	27.05		27.05
64g MSW / 96g RECY / 96g YW	34.21	40.34		40.34
96g MSW / 96g RECY / 96g YW	44.38	52.33		52.33
		-		-
96g MSW (2) / 96g RECY / 96g YW	78.67	92.76		92.76
96g MSW (3) / 96g RECY / 96g YW	112.96	133.20		133.20
96g MSW (4) / 96g RECY / 96g YW	147.25	173.63		173.63
32g MSW / 64g RECY / 96g YW (2)	30.17	35.58		35.58
96g MSW / 64g RECY / 96g YW (2)	41.43	48.85		48.85
96g MSW / 64g RECY / 96g YW (3)	58.82	69.36		69.36
Extra 32g Trash	12.86	15.16		15.16
Extra 64g Trash	24.12	28.44		28.44
Extra 96g Trash	34.29	40.43		40.43
Extra Recycling	2.87	3.38		3.38
Extra Organics	7.22	8.51		8.51
		-		-
		-		-

79. Multi-unit Residential

Rate increases of 17.92% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

**Unincorporated Area: Canyon**

Rate Change

78. Rate Change Requested 17.92%

Rate Schedule

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments	New Rate
32-GAL MSW	28.01	33.03		33.03
64-GAL MSW	32.59	38.43		38.43
96-GAL MSW	37.17	43.83		43.83
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-
		-		-

79. Multi-unit Residential

Rate increases of 17.92% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.05.

## Attachment B: Adjusted SB1383 Rate Model



**Financial Information**

Actual Historical Years			Estimated Current Year	Projected Base Year	Crowe Adjustments	Crowe
Year 1	Year 2	Year 3	Year 4	Year 5		Adjusted
2018	2019	2020	2021	2022		2022

**Section I - Allowable Costs**

	2018	2019	2020	2021	2022	Crowe Adjustments	2022
1. Direct Labor	794,538	828,220	887,897	863,407	1,127,708	(115,891)	1,011,817
2. Tipping Fees (Profit Allowed)	500,229	495,848	502,240	510,830	780,046	(253,101)	526,945
3. Corporate, Local General and Administrative Costs	220,253	287,548	220,253	380,509	395,436	(1,923)	393,513
4. Trucking and Equipment	362,799	474,912	362,799	373,155	463,820	(46,779)	417,041
5. Depreciation and Other Operating Costs	296,067	293,906	296,067	200,303	250,516	(22,580)	227,937
6. Services Provided to City	13,670	38,959	13,670	-	-	-	-
7. Total Allowable Costs (Lines 1+2+3+4+5+6)	2,187,556	2,419,393	2,282,926	2,328,204	3,017,526	(440,274)	2,577,252

**Section II - Allowable Operating Profit**

	2018	2019	2020	2021	2022	Crowe Adjustments	2022
8. Operating Ratio	89.4%	94.2%	91.5%	91.2%	87.0%	3%	90%
9. Allowable Operating Profit [(Line 7 / Line 8) - Line 7]	258,892	148,106	212,100	223,656	450,895	(164,533)	286,362

**Section III - Pass Through Costs without Franchise Fees**

	2018	2019	2020	2021	2022	Crowe Adjustments	2022
10. Administrative Fee	-	-	-	-	-	-	-
11. Tipping Fees (Pass Through)	617,708	683,609	617,416	679,870	419,949	261,755	681,703
12. Total Pass Through costs (without Franchise Fees) (Lines 10+11)	617,708	683,609	617,416	679,870	419,949	261,755	681,703

**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)	3,064,156	3,251,107	3,112,442	3,231,730	3,888,369	(343,053)	3,545,317
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**Section V - Revenue without Rate Change in Base Year**

	2018	2019	2020	2021	2022	Crowe Adjustments	2022
14. Residential Revenue					1,345,776	(64,447)	1,281,329
15. Less Allowance for Uncollectible Residential Accounts					37,874	(12,247)	25,627
16. Total Residential Revenue (without Rate Change in Base Year)	1,247,215	1,306,015	1,261,720	1,307,902	1,307,902	(76,694)	1,255,702
17. Commercial and Light Industrial Revenue					2,255,910	56,518	2,312,428
18. Less Allowance for Uncollectible Commercial and Light Industrial Accounts					18,047	5,077	23,124
19. Total Commercial/Light Industrial Revenue (without Rate Change in Base Year)	2,136,539	2,234,769	2,153,272	2,255,910	2,237,863	61,595	2,289,304
20. Recycled Material Sales	4,402	-	-	-	-	-	-
21. Total Revenue (Lines 16+19+20)	3,388,156	3,540,784	3,414,992	3,563,812	3,545,765	(15,099)	3,545,006

**Section VI - Net Shortfall (Surplus)**

22. Net Shortfall (Surplus) without Franchise Fees (Line 13 - Line 21)					342,604	(327,954)	311
23. Residential/Commercial/Light Industrial Franchise Fees (see calculation below)	224,345	233,533	224,345	243,391	292,673	(25,821)	266,852
24. Net Shortfall (Surplus) with Franchise Fees (Line 22 + 23)					635,277	(368,115)	267,162

**Section VII - Percent Change in Rates**

25. Total Residential/Commercial/Light Industrial Revenue Prior to Rate Change (Lines 16 + 19)					3,545,765	(758)	3,545,006
26. Percent Change in Existing Residential/Commercial/Light Industrial Rates (Line 24 / Line 25)					17.92%	-10.38%	7.54%

**Franchise Fee Calculation**

**Summary Revenue Requirement**

Equation 1) Line 13 X .10 = X	2022	27. Total Allowable Costs (Line 7)	Total Allowable Costs	3,017,526	(440,274)	2,577,252
Equation 2) Line 13 + X		28. Allowable Operating Profits (Line 9)	Allowable Operating Profits	450,895	(164,533)	286,362
X = (Line 13 x 0.10) / 0.90	292,673	29. Total Pass Through Costs (with Franchise Fees)	Total Pass Through	712,622	235,934	948,555
		30. 2022 Revenue Requirement (Lines 27+28+29)	Revenue Requirement	\$ 4,181,042	\$ (368,874)	\$ 3,812,168

Attachment C: Applicable Consumer Price Index Data

DRAFT



Ms. Deidra Dingman  
May 13, 2022

Page 31

**Consumer Price Index - All Urban Consumers**  
**Original Data Value**

**Series Id:** CUURA422SA0,CUUSA422SA0  
**Not Seasonally Adjusted**  
**Area:** San Francisco-Oakland-San Jose, CA  
**Item:** All items  
**Base Period:** 1982-84=100  
**Years:** 2005 to 2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2012		236.880		238.985		239.806		241.170		242.834		239.533	238.099	241.201
2013		242.677		244.675		245.935		246.072		246.617		245.711	243.894	246.152
2014		248.615		251.495		253.317		253.354		254.503		252.273	250.507	253.463
2015		254.910		257.622		259.117		259.917		261.019		260.289	256.723	260.421
2016		262.600		264.565		266.041		267.853		270.306		269.483	263.911	268.777
2017		271.626		274.589		275.304		275.893		277.570			273.306	
2018		281.308		283.422		286.062		287.664		289.673				
2019		291.227		294.801		295.259		295.49		298.443				
2020		299.69		298.074		300.032								
2021		304.387		309.419		309.497								

**Change in CPI** 3.15%

Attachment D: Summary Comparison of Other Jurisdictions' SB 1383 Rate Changes

DRAFT



Crowe did some research on the rate impacts of implementing SB 1383 in jurisdictions throughout California. The general expectation was for households to see a rate increase of between \$3 and \$5 per customer, per month with the average increase for businesses of between \$70 and \$90 per month. The League of California Cities reported a potential range of between 1 and 20 percent. The large range in rate changes is primarily driven by whether facility changes are required and to what degree collection routing/operations change.

A total of nineteen (19) recent published examples of SB 1383 rate changes throughout California are listed below<sup>2</sup>:

- City of Beaumont – 15.4%
- City of Campbell – 9.9%
- City of Claremont – 6.5%
- City of Citrus Heights – 26%
- City of Elk Grove – 23%
- City of Encinitas - \$3.88 per residential customer, per month
- City of Folsom – 34.1%
- City of Industry - \$2.45 per residential customer, per month
- City of Lake Forest – 25%
- City of Los Gatos – 9.9%
- City of Monte Sereno – 9.3%
- City of Napa – 6%
- City of Pacifica – 5.5%
- City of Rolling Hills Estates – 6.3%
- City of Santa Clara – 16%
- City of Saratoga – 9.5%
- City of Sacramento – 27% (implementation spread over 3 years)
- City of Vacaville – 4.2%
- City of Walnut – 9.36%.

For the 17 jurisdictions with a percent change noted above, these rate changes ranged from 4.2 to 34.1 percent with an average of just over 14 percent.

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<sup>2</sup> These rate changes represent almost entirely the impacts of SB 1383, with some minor portions of these rate changes associated with other changes unrelated to SB 1383.