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July 14, 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 CPI-Based Rate Increase and Inclusion of Separate Commercial Organics Rate in Total Commercial Rate for Mt. Diablo Resource Recovery

Dear Ms. Dingman:

This report provides the results of Crowe LLP's (Crowe) analysis of the CPI-based rate application (Application) submitted by Garaventa Enterprises (dba Mt. Diablo Resource Recovery – Contra Costa County ("MDRR")) to Contra Costa County (County). This analysis also includes the impact of combining the commercial organics collection rate (currently a separate charge) into a single total commercial collection rate. Garaventa provides refuse, organics, and recycling collection services in unincorporated Contra Costa County. This letter report is organized into four (4) sections as follows:

- A. Purpose of Analysis
- B. Summary
- C. Background and Scope of Analysis
- D. Results of Analysis.

There are three (3) attachments to this report, as follows:

- A. Rate Application
- B. Applicable Consumer Price Index Data
- C. History of Collection Rates.

A. Purpose of Analysis

The purpose of this analysis (Analysis) is to assist the County with establishing rates for refuse and recycling collection. This Analysis was conducted in accordance with the County's *Rate Setting Process and Methodology Manual Solid Waste Collection Charges* (Manual), dated July 15, 2011.

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 MDRR 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 MDRR, 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 MDRR 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, MDRR requested a CPI-based rate increase of 3.15 percent. Based on the analysis of the Application, and applying the methodology contained in the Manual, we determined the 3.15 percent CPI is consistent with the Manual specifications. We also evaluated the impact of 1) consolidating the current separate commercial organics collection rate into a combined total commercial collection rate and 2) providing current “non SB 1383 compliant” commercial customers with organics collection service. This calculation would result in an additional increase to commercial customers of 4.20 percent, resulting in a total combined commercial rate increase of 7.35 percent.

Table 1 below shows the rate increase for typical residential customer service levels which ranges between \$1.00 and \$1.71 per customer, per month, depending on the residential service level. **Table 2** shows the calculated rate increase for typical commercial customers, depending on the service level.

Table 1
Mt. Diablo Resource Recovery
2022 Residential Rates, by Service Level
(Per Customer, Per Month)

Service Level	2021 Rate	CPI Rate Increase (3.15%)	2022 Rate
20 Gallon	\$31.62	\$1.00	\$32.62
32 Gallon	\$39.45	1.24	40.69
64 Gallon	\$45.76	1.44	47.20
96 Gallon	\$54.44	1.71	56.15

Table 2
Mt. Diablo Resource Recovery
2022 Commercial Rates, by Selected Service Level
(Per Customer, Per Month)

Service Level	2021 Rate	CPI Rate Increase (3.15%)	Consolidation of Separate Commercial Organics Rate into Total Collection Rate (4.20%)	Total Rate Increase (7.35%)	2022 Rate
96 Gallon Cart	\$77.80	\$2.45	\$3.27	\$5.72	\$83.52
2 Yd Bin 1 x per week	344.42	10.85	14.46	25.32	369.73
3 Yd Bin 1 x per week	481.07	15.15	20.21	35.35	516.43
6 Yd Bin 1 x per week	892.29	28.11	37.47	65.59	957.87

C. Background and Scope of Analysis

On April 22, 2022, MDRR submitted a request for a residential and commercial CPI-based rate increase. The Rate Manual allows MDRR to adjust rates up to the CPI. The applicable CPI is the prior year June to June index (Rate Manual, page 81).

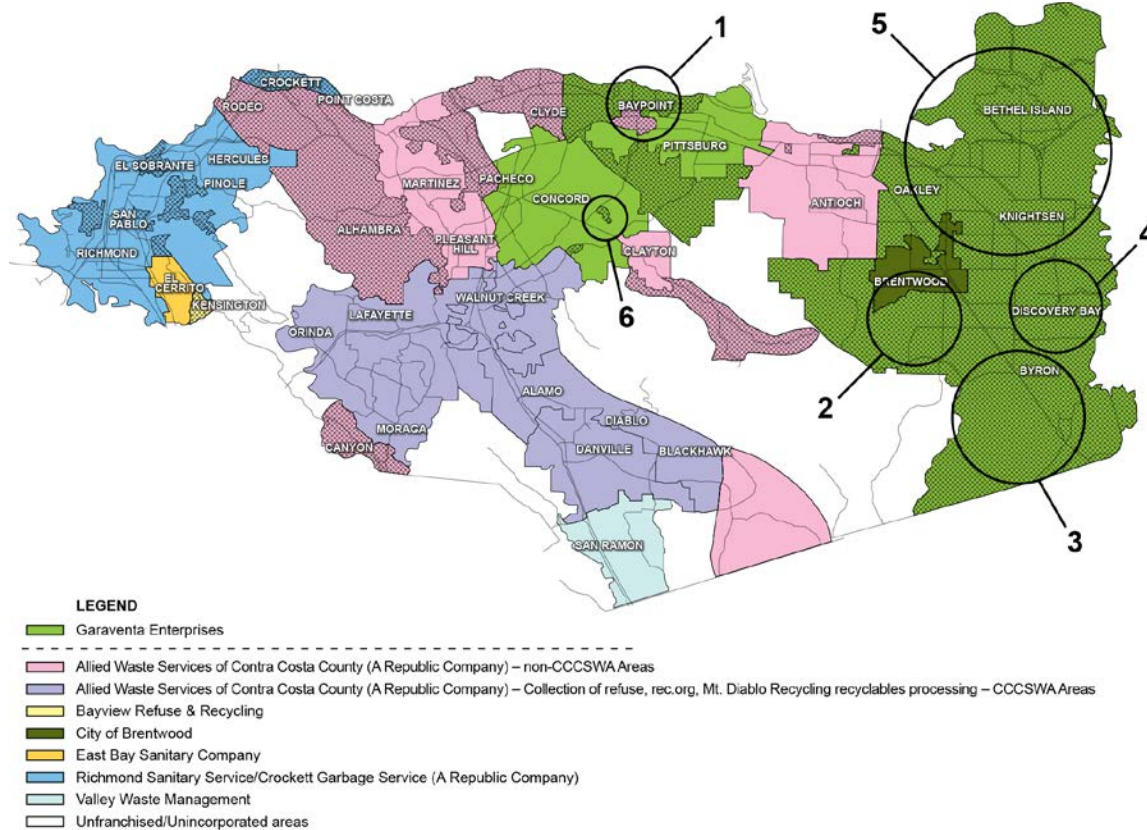
MDRR operates under an exclusive franchise with the County to collect, and remove for disposal and recycling, residential, commercial, and light industrial solid waste, recyclable materials, and green waste (organics). On May 9, 1995, the County signed a twenty (20) year franchise agreement with MDRR. On August 9, 2011, the County approved the Third Amendment to the Franchise Agreement which extended the franchise term an additional ten (10) years through May 8, 2025 or until termination of the 3-cart system, whichever is shortest. The MDRR franchise includes the following six (6) service areas in unincorporated Contra Costa County (**Exhibit 1** shows the location of each service area):

1. Bay Point
2. Brentwood, unincorporated
3. Byron
4. Discovery Bay
5. Bethel Island, Knightsen & Oakley, unincorporated
6. North Concord, unincorporated.

MDRR consolidates refuse collected from unincorporated County areas at the Recycling Center and Transfer Station (RCTS) in Pittsburg, California. MDRR then transports the refuse to Keller Canyon Landfill (located in unincorporated Contra Costa County) for disposal. MDRR provides curbside recycling services to unincorporated County areas.

Residential customers commingle all of their recyclable materials into one 96-gallon cart (except customers located on Marsh Creek Road who place their recyclables out for collection in special company issued blue bags). MDRR collects residential curbside recyclables bi-weekly. MDRR takes recyclable materials to its RCTS facility where they are separated on a Materials Recovery Facility (MRF) sort line. MDRR also provides residential customers with bi-weekly green waste collection service.

Exhibit 1
Unincorporated Contra Costa County
Map of Mt. Diablo Resource Recovery Service Areas



The scope of this Analysis included the following two (w) primary tasks:

1. Analyze MDRR’s CPI-Based Rate Request
2. Determine the Impact of Combining the Current Commercial Organics Collection Rate into a Single Total Commercial Collection Rate.

D. Results of Analysis

The company requested a 3.15 percent CPI based on the most recent June to June change in the Consumer Price Index the San Francisco-Oakland-San Jose (Bay Area). We determined that this is the correct CPI to use for this calculation for 2022.

The County requested we determine the impact of consolidating the separate commercial organics charge within a combined commercial rate. We estimate the current total amount of annual commercial organics collection revenue at \$47,375. Under the assumption that this revenue requirement is spread across the commercial/light industrial rate base, the rate increase to cover the lost revenue when removing this separate charge would equal 2.25 percent.

The County also requested that we determine the impact of providing organics collection services to those commercial customers that currently don’t subscribe to organics collection but will be required to do so under SB 1383. Under the assumption that these 55 currently customers are provided 96-gallon cart service for organics, the additional revenue requirement is \$41,092, equivalent to a 1.95 percent increase



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to commercial customers. The combined commercial rate increase would be 7.35 percent (2.25 percent + 1.95 percent +3.15 percent CPI).

* * * * *

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



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Attachment A: Rate Application



April 22, 2022

David Brockbank
Contra Costa County
Department of Conservation and Development
30 Muir Road
Martinez, CA 94553

VIA EMAIL

Re: Request for Residential & Commercial CPI Rate Adjustment

Dear David,

Garaventa Enterprises, Inc., dba Mt. Diablo Resource Recovery – Contra Costa County (“MDRR”), appreciates our long-standing partnership. We also appreciate the way we have been able to work collaboratively with you and your staff over the years in exploring longer term and more sustainable solutions pertaining to the services we provide to the County and its ratepayers.

As you know, in September of last year, we submitted an incremental rate application for additional requested services and enhancements. The rate application mainly focused on the incremental costs associated with the unfunded “State Mandates” of SB1383 implementation, and additional services requested via email from the County dated July 29th, 2021. In addition, the application also reflected a proposed change as to how the cost of recycling is paid for in the current collection rates, which was approved as part of our last rate adjustment back in 2020 pertaining to the China National Sword. Just for background, prior to the 2020 rate adjustment, our rates were last adjusted in 2017.

Last month on March 29th, we received the draft findings from the County’s consultant which we have been diligently reviewing. Our team has been going back and forth with questions pertaining to this draft report, however we are still a while away from providing a comprehensive response. Notwithstanding that comprehensive response, I am confident that the result will be several back-and-forth conversations with the consultant, and County staff which I anticipate taking several months until we can come to a mutually agreeable position. Please understand that we are committed to working out the details and implementing the services as set forth in our July 2021 rate application, but we feel it is going to take longer than we both previously anticipated. Our main concern continues to be the very short remaining term of our Agreement in relation to the timing and implementation of new required services as set forth in our application.



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Pursuant to our Franchise Agreement, residential and commercial rates are able to be adjusted by the Consumer Price Index (CPI). Due to the anticipated timing of our existing application, at this time we are respectfully requesting the County's consideration of adjusting our residential and commercial rates by a 3.15% CPI. As you will see in the below calculations, and after applying the prescribed calculations, this proposed adjustment translates into an average residential increase of approximately \$1.35 per month.

	20 Gallon	32 Gallon	64 Gallon	96 Gallon	
Current rates	\$ 31.62	\$ 39.45	\$ 45.76	\$ 54.44	
CPI increase	3.15%	3.15%	3.15%	3.15%	
Proposed Rates	\$ 32.62	\$ 40.69	\$ 47.20	\$ 56.16	
Difference	\$ 1.00	\$ 1.24	\$ 1.44	\$ 1.72	Average \$ 1.35

Enclosed with this letter you will find the prescribed CPI Adjustment Calculation and the proposed adjusted residential & commercial rates (Attachment 1). As always please do not hesitate should you have any questions or need additional information in order to process consideration of this request.

Best Regards,

Salvatore N. Evola
 Director of Environmental & Regulatory Affairs

Attachments:

- 1) CPI Calculation & Rate Sheets (current & new)

CC: Deidra Dingman – DCD, Contra Costa County
 Patrick Dolim – CFO, Garaventa Enterprises, Inc.

ATTACHMENT 1

MDRR - County 2022 CPI Rate Adjustment Request

	June
2020	300.032
2021	309.497
Net increase	<u>9.465</u>
CPI percent change	<u>3.15%</u>

Data extracted on: April 11, 2022 (4:09:14 PM)

CPI for All Urban Consumers (CPI-U)

Series Id: CUURS49BSA0
Not Seasonally Adjusted
Series Title: All items in San Francisco-Oakland-Hayward, CA, all urban consumers, not seasonally adjusted
Area: San Francisco-Oakland-Hayward, CA
Item: All items
Base Period: 1982-84=100

Download: [xlsx](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2018		281.308		283.422		286.062		287.664		289.673		289.896	285.550	282.666	288.435
2019		291.227		294.801		295.259		295.490		298.443		297.007	295.004	293.150	296.859
2020		299.690		298.074		300.032		300.182		301.736		302.948	300.084	299.109	301.059
2021		304.387		309.419		309.497		311.167		313.265		315.805	309.721	306.724	312.718

Attachment B: Applicable Consumer Price Index Data



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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 C: History of Collection Rates

Over the 22 years since the County implemented the Manual (1998 to 2021), County rate increases (shown in **Table C-1**) averaged approximately 3.32 percent on a compounded basis (including rate increases for new programs). During this same timeframe the applicable CPI increased by approximately 2.70 percent on a compounded basis.

Table C-1
Unincorporated Contra Costa County
Historical Mt. Diablo Resource Recovery
Residential Refuse Collection Rate Changes
(1998 to 2021)

Year	Percent Change in Rate
1999	None
2000	+7.7 to 8.5% (new green waste program)
2001	None
2002	+7.66% (implemented in 2003)
2003	None
2004 (base)	+0.00% residential +11.79% commercial
2005	+3.89% (interim year)
2006	+2.69% (interim year)
2007	+6.44% percent (interim year)
2008	+6.71% percent (base year)
2009	None
2010	None
2011 (base)	13.88% (base year)
2012	New variable can rate structure (varied from reductions of 8% to increase of 11.5% depending on rate category)
2013	2.06% (interim year)
2014	2.38% (interim year)
2015	2.78% (interim year)
2016	5.93% (base year)
2017	3.48% (interim year)
2018	None
2019	None
2020	4.45% (interim year)
2021	None