



**Contra  
Costa  
County**

To: Board of Supervisors  
From: John Kopchik, Director, Conservation & Development Department  
Date: December 8, 2015

Subject: Rate Changes for Solid Waste Collection in the Unincorporated Areas Served by Allied Waste Systems, Inc.  
Under the County Franchise Agreement

### **RECOMMENDATION(S):**

1. ACCEPT report from consultant Crowe Horwath LLP, dated November 20, 2015, on its review of the Base Year Rate Application submitted by Allied Waste Systems, Inc. (Allied), attached as Exhibit A.
2. APPROVE phased implementation of a 28.8% solid waste collection rate increase, with a 15% rate increase effective January 15, 2016, a 12% rate increase effective January 15, 2017, and deferring whether to implement the remaining 1.8% rate increase until the 2020 Base Year Rate Review.
3. ACKNOWLEDGE that implementing weekly residential recycling collection would require an additional 5.9% rate increase (for a total rate increase of 34.7%), and DECLINE to approve this additional rate increase at this time.

### **FISCAL IMPACT:**

No impact to the County General Fund. The costs for County staff time spent administering the Franchise Agreement (rate review) and any related consulting services are covered by solid waste/recycling collection franchise fees.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **12/08/2015** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

#### **VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Mary N. Piepho, District III Supervisor  
Karen Mitchoff, District IV Supervisor  
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: December 8, 2015

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: David Brockbank (925)  
674-7794

cc:



## **BACKGROUND:**

In May of 1995, the County entered into a Franchise Agreement with Allied's predecessor company, Pleasant Hill Bayshore Disposal, Inc. On July 21, 2015, the County approved the first Amendment to the County/Allied Franchise Agreement that: (a) extended the term of the Agreement for 10 years; (b) increased the franchise fee 2%, from 5% to 7%; (c) established the existing maximum collection rates; (d) expanded Allied's Franchise service area to include a pocket of unincorporated area in the vicinity of Cummings Skyway; and (e) required Allied to provide new and expanded services.

The Franchise Agreement grants Allied the exclusive privilege and duty to collect solid waste, recyclables and organics routinely generated by residential and commercial customers within the designated Allied service area (also known as the "Franchise Area"). The Allied Franchise Area covers the following ten (10) unincorporated areas:

1. Alhambra Valley (portion) – District I & V
2. Canyon – District II
3. Antioch, Unincorporated – District III
4. Morgan Territory / Marsh Creek – District III
5. Concord, Unincorporated (portion) – District IV
6. Clayton, Unincorporated – District IV
7. Pleasant Hill, Unincorporated – District IV
8. Pacheco / Vine Hill / Martinez, Unincorporated – District V
9. Bay Point (eastern portion) / Clyde – District V
10. Cummings Skyway (portion) – District V

The County establishes and regulates Collection Rates that Allied is allowed to charge for residential and commercial collection services provided in their Franchise Area. These rates are established in accordance with the adopted rate setting methodology set forth in the "Rate Setting Process and Methodology Manual for Solid Waste Charges as Applied to Allied Waste Systems, Inc., a division of Republic Services, Inc." (Rate Manual). The Rate Manual establishes a process with the following components:

- a. Every four (4) years: Base Year rate reviews. Such reviews rely upon data submitted in detailed rate applications and accompanying audited financial statements; and
- b. Intervening years between Base Years (Interim Years): The Franchisee may request no change or a change based on one of the following options. One, a rate change which does not exceed the annual change in Consumer Price Index (CPI) (no Board approval required). Or two, Interim Year rate changes calculated based on a weighted increase in controlled and uncontrolled costs, including tipping fees, regulatory charges and change in CPI (Board approval required). The hauler is not required to submit audited financial data with the interim year rate application. Therefore, the Interim Year Rate Review is less rigorous than that carried out in a Base Year.

The Rate Manual provides for recovery of the reasonable costs that Allied will incur in performing services under the Franchise Agreement plus allowable profit. Special extraordinary cost increases are also taken into account.

## **History of Solid Waste Collection Rate Adjustments Since the Prior Base Year**

There have been various rate adjustments in the Allied Franchise Area since 1998 when the County adopted Allied's Rate Manual. However, Allied's rates for residential customers have not changed since 2009, when the Board approved a variable rate structure intended to serve as a financial incentive for

residential customers to downsize their garbage carts to further reduce waste disposal. The variable can rate structure proved to be quite effective in encouraging residents to switch to smaller garbage carts. The amount of customers using the largest trash carts (96-gallon) has gone down by roughly 68% and the amount of customers using the smallest cart (20-gallon) has increased by just over 400%.

Since the last Board-approved rate change in 2009, the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area has increased approximately 17%, or an average of 2.8% per year. Rates for residential customers were not affected and remained flat. For commercial/light industrial customers, there has been only one rate change related to CPI, a 0.95% increase in 2011.

The most recent rate review took place in 2011 for the 2012 Base Year. Below is a brief summary of that review and subsequent allowable rate adjustments:

2012: Base Year Rate Review– In the 2012 Base Year Rate Application, Allied requested a 2.03% rate increase. The County hired a consulting firm, R3 Consulting Group (R3), to conduct the 2012 Base Year Rate Review. R3's report dated April 3, 2012 identified annual cost savings expected as a result of service efficiencies achieved by Allied. The total amount of cost savings potentially warranted a rate reduction of 10.2%. Rates charged to customers remained stable, offering a 10.2% rate reduction credit as a result of the 2012 rate review. This rate reduction credit offset subsequent CPI adjustments that would have been applied in 2013, 2014, and 2015. The rate reduction credit also yielded funding between 2012 – 2015, which is considered Rate Setting Methodology (RSM) Revenue. Exhibit F of the First Amendment requires that this revenue be applied to help offset allowable costs for fees or enhanced services in the Allied Franchise Area.

2013: Interim Year Rate – Annual CPI adjustment of 2.80% was credited to Allied. Instead of adjusting rates based on CPI, a portion of the 10.2% rate reduction credit identified in 2012 was used to offset the 2.8% CPI increase, resulting in the credit being reduced from 10.2% to 7.4% and collection rates were unchanged.

2014: Interim Year Rate – Annual CPI adjustment of 2.03% was credited to Allied. The rate reduction credit of 7.4% remaining from 2013 was used to offset the CPI increase, which further reduced the credit from 7.4% to 5.38% and collection rates were unchanged.

2015: Interim Year Rate – Annual CPI increase adjustment of 2.96% was credited to Allied. The remaining 5.38% rate reduction credit available from 2014 was applied to offset the CPI increase, which further reduced the credit from 5.38% to 2.42% and collection rates were unchanged.

In addition to offsetting the annual CPI adjustments, any remaining rate adjustment credit available each year between 2012 and 2015 yielded additional Rate Setting Methodology (RSM) Revenue. The total amount of RSM Revenue mutually agreed to have been accrued between 2012 and 2015 was \$523,941. As discussed in more detail below, a portion of this amount was used to fund the cost of new and enhanced services between August 1 and December 31, 2015 and the remainder is available to be applied to help offset service costs during 2016 Base year Rate setting (see the "Recommended 2016 Base Year Rate Adjustment (OPTION 1)" section below for further information).

### **Crowe Horwath Review of Allied's Base Year Rate Application**

On July 10, 2015, Allied submitted a Base Year Rate application to increase solid waste collection rates. Allied requested a total 33.5% rate increase. To determine a Base Year Rate change for calendar year 2016, the County requested technical assistance from Crowe Horwath (consultant) to review the Base

Year Rate Application submitted by Allied consistent with the County's Rate Manual. The result of Crowe Horwath's review is contained in their report dated November 20, 2015, which is attached as Exhibit A.

The Base Year Rate setting process requires that a detailed rate change application be submitted by Allied along with an audited financial statement and supplemental financial and operational information. Using the detailed financial data provided, Crowe Horwath reviewed the following major cost categories to determine the appropriate rate adjustment:

- Direct Labor Costs
- Tipping Fees
- Corporate and Local General and Administrative Costs
- Household Hazardous Waste Program Costs
- Trucking and Equipment
- Allowable Profit
- County's Franchise Fee

BASE YEAR RATE APPLICATION ADJUSTMENTS: Allied's Base Year Rate Application proposes a rate increase of 33.5% based on projected costs for existing services, changing to weekly residential recycling as well as most, but not all, of the service enhancements approved by the Board in July 2015 (see listing below in the "NEW AND ENHANCED SERVICES" section). Crowe Horwath reviewed the Rate Application submitted by Allied for consistency with the Rate Manual, County policies, and waste management industry practices. Their analysis did a comparison on year-to-year changes in revenues and costs for reasonableness and solicited explanations from Allied for material changes. This included the examination of actual data for 2014, estimated data for 2015, and projected data for 2016.

Crowe Horwath's review of Allied's Rate Application led to recommended adjustments to various cost categories which included eliminating unallowable costs and adding allowable costs for programs/services that were not accounted for in the original 2016 Base Year Rate Application. Commercial food waste collection service and household hazardous waste (HHW) program costs were not included in the Rate Application, but weekly residential recycling was included. The cost of these enhanced services combined with Crowe Horwath's other recommended cost adjustments, resulted in a net increase of \$28,308 in annual costs. This equates to an additional 1.2% increase for the Base Year. Consequently, Crowe Horwath is recommending a 34.7% increase, including weekly residential recycling (1.2% more than requested by Allied).

NEW AND ENHANCED SERVICES: The following eleven (11) new and enhanced services listed below were approved by the Board in July of this year in conjunction the First Amendment to the County / Allied Franchise Agreement:

- 1) six additional community clean-up boxes per year,
- 2) residential household battery, compact fluorescent lights (CFL) and plastic bag recycling,
- 3) on-call bulky household item collection twice per year,
- 4) increase in franchise fee paid by Allied to the County,
- 5) support for mandatory commercial recycling program,
- 6) on-call debris box service for County abatement projects ,
- 7) on-call removal of illegal dumping from the right-of-way,
- 8) compost organics collected from residential and commercial customers rather than using as alternative daily cover (ADC),
- 9) commercial food waste collection,
- 10) recycling coordinator support (20% of a position), and
- 11) elimination of the separate commercial recycling charge.

When the Board reviewed and approved the First Amendment to the Allied/County Franchise

Agreement in July 2015, the Board deferred approval of changing residential recycling from every other week to weekly, pending the results of this Base Year rate review. Pursuant to the Board's direction, optional weekly residential recycling service rate adjustment is being provided for consideration in conjunction with the 2016 Base Year Rate adjustment (see “Changing to Weekly Recycling (OPTION 2 – NOT RECOMMENDED)” section below for further details).

A number of the approved service enhancements have since been implemented, in advance of approving a rate change adequate to offset the cost of the added services. Some of the previously mentioned RSM Revenue (\$88,559.72 ) is being used to offset projected costs for new and enhanced services pursuant to the Board’s approval of the First Amendment in July 2015. The remaining balance of RSM Revenue is to be applied to offset service costs during this Base Year Rate setting as further discussed in the “Recommended 2016 Base Year Rate Adjustment (OPTION 1)” section of this report.

BASE YEAR RATES – OPTION 1 AND 2: Crowe Horwath’s report recommended two options for the County to consider in making any rate adjustments for the 2016 Base Year. The proposed Option 1 rate adjustment of 28.8% includes projected costs for all eleven of the Board approved new and enhanced services. The proposed Option 2 rate adjustment of 34.7% includes projected costs for all eleven of the above-noted enhancements (in other words all of Option 1) as well as the added costs for weekly residential recycling collection (adds 5.9%) which has not been approved by the Board.

There are multiple factors contributing to the changes in projected costs and revenue which drive the recommended rate adjustment. Some of these are routine factors associated with existing services (e.g. increased wages and benefits based on labor agreements and CPI adjustments to various other categories of operational costs, including trucking and equipment, depreciation and disposal). Most of the recommended rate increase is due to factors associated with the cost of implementing new and enhanced services. Additionally, the recommended rate increase addresses the revenue decrease resulting from residential customers switching to smaller cart sizes and the decrease in revenue expected to result from the elimination of the separate commercial recycling charge.

While the proposed rate changes are relatively large, the existing rates are far lower than those in neighboring cities as well as the other unincorporated Franchise Areas. Allied’s residential customers have not had a rate increase since 2009. The 2016 Base Year Rates proposed as Option 1 (28.8% increase) and Option 2 (34.7% increase) fall substantially below the average rates charged to residential customers in other incorporated and unincorporated franchise areas surveyed within the County. If Option 1 rates were enacted (staff is actually recommending phased implementation), despite a 28.8% rate increase, customers in the Allied/County Franchise Area would still pay the lowest rates. Option 1 rates are between 27% and 40% less than the average residential rates in the incorporated and unincorporated franchise areas surveyed (see Tables 4 and 5 at the end of this report for residential rate comparison of the unincorporated franchise areas and neighboring jurisdictions surveyed) and 24% to 31% less than the average commercial rates for comparable service levels in the incorporated and unincorporated franchise areas surveyed (see Table C-2 of Attachment C to Exhibit A for the comparison of all surveyed commercial rates).

#### **2016 Base Year Rate Adjustment (OPTION 1)**

Crowe Horwath’s recommended Option 1 rate increase of 28.8% corresponds with monthly increases between \$3.50 and \$8.87 per month for residential customers as shown in Table 1 below. Table 1 reflects the existing monthly residential rates and the proposed Option 1 - Base Year Rate increases for 2016 (no recommended change to the existing every other week (biweekly) schedule

for residential recycling collection).

**Table 1: Total Option 1 Base Year Rate Increase with Existing Biweekly Recycling Collection**

Cart Size	<b>TOTAL BASE YEAR RATE ADJUSTMENT – OPTION 1</b>		
	<i>Existing Monthly Rates (2015)</i>	<i>Base Year Rate Increase (28.8%)</i>	<i>Option 1 Base Rate for 2016</i>
20 gallon	\$12.15	\$3.50	\$15.65
32 gallon	\$15.90*	\$4.59	\$20.49
64 gallon	\$23.70*	\$6.84	\$30.54
96 gallon	\$30.75*	\$8.87	\$39.62

\* Existing monthly rates for Canyon customers: 32-Gallon = \$19.40, 64-Gallon = \$22.57, 96-Gallon = \$25.75.

**RECOMMENDED PHASED IMPLEMENTATION OF OPTION 1 BASE YEAR RATES:** In addition to the adjustments recommended in the report, staff recommends that the Board approve phased implementation of the recommended Option 1 Base Year Rate adjustment. Phasing implementation of this significant rate increase will ease the impact on rate payers by avoiding the rate spike that would result from passing through the entire increase in 2016. Staff is recommending that most of the Base Year Rate adjustment be passed through to customers over two years, involving an initial Base Year Rate adjustment of 15% that could take effect on January 15, 2016 and an additional Base Year Rate adjustment of 12% on January 15, 2017 (see Table 2 below for impact of annual adjustments on monthly residential rates for each service level). In addition to the recommended Base Year Rate adjustment in 2017, Allied is entitled to request an Interim Year or CPI-adjustment for 2017 in which case the combined increase could take effect in January 2017.

As noted above, Allied has been collecting Rate Setting Methodology (RSM) Revenue since 2012 which is to be factored in when setting 2016 Base Year Rates to offset service costs that would otherwise have to be paid for by rate payers. RSM Revenue is recommended to be used to offset the revenue shortfall resulting from phased implementation of the Base Year Rate increase. As of the end of December 2015, it is anticipated there will be \$435,341.28 in Rate Setting Methodology Revenue. Additionally, the recommended Base Year Rate adjustment provides for an additional one-time “service credit” of \$18,250 to account for the avoided operating costs associated with the delayed implementation of the Commercial Food Waste program that will start on April 1, 2016. The phased implementation of the Base Year Rate increase being recommended by staff was determined based on the amount of revenue/cost savings available to offset rate adjustments during this Base Year Rate cycle. Staff recommends phased implementation of Option 1 rate increase, as reflected in Table 2. This phased approach would apply remaining RSM Revenue as follows:

- \$ 325,543.10 to offset the annual deferral of the 13.8% increase in rates for 2016; and
- \$ 127,386.43 to offset the remaining 1.8% of the Base Year Rate increase for calendar years 2017 through 2019 (\$42,462.14 per year).

Table 2 shows the existing monthly residential rates and the phased implementation of rate increases that staff is recommending be passed through to customers.

**Table 2: Phased Implementation of Option 1 Base Year Rate Increase using RSM Revenue to partially offset the base year adjustment in 2016-2019\*\* (RECOMMENDED)**

<b>STAFF RECOMMENDED PHASED PASS-THROUGH OF BASE YEAR RATE ADJUSTMENT – OPTION 1</b>	
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Cart Size	<i>Existing Monthly Rates (2015)</i>	<i>Recommended Base Year Rate Increase (15% in 2016)</i>	<i>Recommended Monthly Rate for 2016</i>	<i>Recommended Base Year Rate Increase (12% in 2017)***</i>	<i>Recommended Monthly Rate for 2017***</i>
20 gallon	\$12.15	\$1.82	<b>\$13.97</b>	\$1.46	<b>\$15.43</b>
32 gallon	\$15.90*	\$2.39	<b>\$18.29</b>	\$1.91	<b>\$20.19</b>
64 gallon	\$23.70*	\$3.56	<b>\$27.26</b>	\$2.84	<b>\$30.10</b>
96 gallon	\$30.75*	\$4.61	<b>\$35.36</b>	\$3.69	<b>\$39.05</b>

\* Existing monthly rates for Canyon customers: 32-Gallon = \$19.40, 64-Gallon = \$22.57, 96-Gallon = \$25.75.

\*\* Staff recommended phased implementation and partial offset of the recommended Option 1 Base Year Rates is based on the amount of revenue/cost savings available. In addition to the RSM Revenue balance of \$435,341.28 identified in the First Amendment to the County/Allied Franchise, the recommended Base Year Rates provide for an additional one-time "service credit" of \$18,250 for the avoided operating costs associated with the delayed implementation of the Commercial Food Waste program that will start on April 1, 2016. Deferral of 13.8% increase in 2016 to facilitate phasing in of Base Rate would utilize \$325,543.10 of the RSMR. Deferral of remaining 1.8% Base Rate increase in 2017 - 2019 would utilize \$42,462.145 of RSMR per year (totaling \$ 127,386.43).

\*\*\*In addition to the 12% phased base year rate increase proposed to take effect in 2017, Allied is entitled to request approval of an annual Interim Year/CPI Rate adjustment.

### Changing to Weekly Recycling (OPTION 2 – NOT RECOMMENDED)

Staff recommends that the Board defer consideration of increased recycling collection frequency for residential collection to avoid imposing an even larger rate increase. Based on the findings of Crowe Horwath's review of the Base Year Rate Application and the associated rate option to change from every other week (biweekly) to weekly recycling collection for residential customers (Option 2), staff recommends that recycling collection remain on a biweekly schedule. Even though these customers have not had a collection rate increase in six years, imposing the full 34.7% Option 2 rate increase needed in order to move forward with changing to weekly recycling collection in 2016 may pose an unnecessary and potentially avoidable hardship.

Staff recommends that the Board defer approving this change until sometime in the future (ideally not simultaneously with another substantial rate change). Staff also suggests that the Board consider implementing weekly organics collection in the future, prior to recycling, in order to maximize the potential diversion opportunity for residential food waste. One of the new services established in the Amended Franchise Agreement ensures that all organics collected from residential and commercial customers will be composted. Residential food waste cannot be combined with other green waste in areas where organics are only being collected on a biweekly basis for health and safety reasons. Therefore, it may be preferable to increase organics collection from biweekly to weekly rather than or at least in advance of increasing frequency of recycling collection as this would allow co-mingling of food waste with green waste for composting. Customer survey data suggests there is not a high demand for weekly collection of recycling or organics in the Allied Franchise Area. Staff can return to the Board in the future if/when there is more customer demand or some other compelling reason to consider changing to weekly collection.

Table 3 reflects the existing monthly residential rates and the Option 2 rate increase which is not recommended.

**Table 3: Total Option 2 Base Year Rate Increase with Weekly Recycling Collection (Not Recommended)**

Cart Size	BASE YEAR RATE ADJUSTMENT – OPTION 2			
	<i>Existing Monthly Rates</i>	<i>Option 1 Base Rate</i>	<i>Additional Rate Increase for Option 2</i>	<i>Option 2 Base Rate for 2017</i>



	<i>Monthly Rates (2015)</i>	<i>Increase for 2016 (28.8%)</i>	<i>Rate increase for Weekly Recycling (5.9%)</i>	<i>2016 (34.7% increase)</i>
20 gallon	\$12.15	\$3.50	\$0.72	<b>\$16.37</b>
32 gallon	\$15.90*	\$4.59	\$0.93	<b>\$21.42</b>
64 gallon	\$23.70*	\$6.84	\$1.39	<b>\$31.93</b>
96 gallon	\$30.75*	\$8.87	\$1.80	<b>\$41.42</b>

\* Existing monthly rates for Canyon customers: 32-Gallon = \$19.40, 64-Gallon = \$22.57, 96-Gallon = \$25.75

**Table 4: Residential Rate Comparison with other Unincorporated Franchise Areas** (Per Customer, Per Month)

<b>Franchise Area</b>	<b>20 Gallon</b>	<b>32 Gallon</b>	<b>64 Gallon</b>	<b>96 Gallon</b>
1. Alamo & Uninc Central CCC (CCCSWA)	\$ 20.33	\$ 23.09	\$ 43.96	\$ 65.65
2. Crockett Garbage – West CCC (County)	\$ 22.44	\$ 26.61	\$ 46.66	\$ 56.70
3. Garaventa Enterprises – East CCC (County)	\$ 27.61	\$ 34.46	\$ 39.97	\$ 47.55
4. Richmond Sanitary – West CCC (County)	\$ 25.50	\$ 31.01	\$ 59.42	\$ 88.50
<i>Average</i>	<i>\$ 23.97</i>	<i>\$ 28.79</i>	<i>\$ 47.50</i>	<i>\$ 64.60</i>
<b>2016 County/Allied Rates (Option 1 - 28.8% increase)</b>	<b>\$ 15.65</b>	<b>\$ 20.49</b>	<b>\$ 30.54</b>	<b>\$ 39.62</b>
<b><i>Difference</i></b>	<b>-35%</b>	<b>-29%</b>	<b>-36%</b>	<b>-39%</b>

CCCSWA = Central Contra Costa Solid Waste Authority

**Table 5: Residential Rate Comparison with Neighboring Jurisdictions** (Per Customer, Per Month)

<b>Jurisdiction</b>	<b>20 Gallon</b>	<b>32 Gallon</b>	<b>64 Gallon</b>	<b>96 Gallon</b>
1. Antioch	\$ 23.49	\$ 27.59	\$ 44.54	\$ 52.31
2. Clayton	\$ 24.38	\$ 27.24	\$ 50.88	\$ 57.66
3. Concord	N/A	\$ 28.45	\$ 38.40	\$ 47.05
4. Danville (CCCSWA)	N/A	\$ 25.81	\$ 43.90	\$ 65.16
5. Lafayette (CCCSWA)	\$ 26.43	\$ 30.20	\$ 56.99	\$ 85.47
6. Martinez	\$ 19.35	\$ 27.73	\$ 30.91	\$ 64.95
7. Moraga (CCCSWA)	\$ 25.38	\$ 29.30	\$ 58.59	\$ 87.89
8. Orinda (CCCSWA)	\$ 31.01	\$ 35.75	\$ 67.30	\$100.67
9. Pleasant Hill	\$ 20.86	\$ 24.14	\$ 32.94	\$ 49.39
10. Walnut Creek (CCCSWA)	\$ 18.28	\$ 21.57	\$ 40.73	\$ 60.84
<i>Average</i>	<i>\$ 23.65</i>	<i>\$ 27.78</i>	<i>\$ 46.52</i>	<i>\$ 67.14</i>
<b>2016 County/Allied Rates (Option 1 - 28.8% increase)</b>	<b>\$ 15.65</b>	<b>\$ 20.49</b>	<b>\$ 30.54</b>	<b>\$ 39.62</b>
<b><i>Difference</i></b>	<b>-34%</b>	<b>-26%</b>	<b>-34%</b>	<b>-41%</b>

CONSEQUENCE OF NEGATIVE ACTION:

The County/Allied Franchise Agreement obligates the County to:

- set rates in a manner consistent with the approved Rate Manual,
- consider fairness to both Allied Waste and the Customers when setting rates, and
- set rates adequate to cover Allied's reasonable projected costs and allowable profit.

If a rate increase is not approved, Allied will not have a means to collect an adequate amount of revenue from the customers in the County Franchise Area to cover the company's costs for providing services to said customers.

#### ATTACHMENTS

Exhibit A: Final Report - Review of 2016 Allied Waste Systems Rate Application