
**Authorize City Manager to Approve
Amendment No. 5 of the Collection Service
Agreement Between City and Recology
and Recology Refuse Rate Increase
Effective January 1, 2024**



Presented by:
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September 2023

AGENDA

1. Background
2. Rate Adjustment and Findings
3. Comparison of Rates
4. Recommendations

New Agreement Went into Effect January 1, 2018

- Exclusive right to provide collection services for 15-year term
- New vehicle fleet and collection equipment
- Superior customer service
- Specialized website
- Extensive public education and outreach

August 2017

- New Agreement Approved by City Council
- 15-year term (2018 – 2033)

December 2017

- **1st Amendment**
- Creating low-income rate discount program

September 2018

- **2nd Amendment**
- Revise refuse rate indices and time periods used for rate adjustments

May 2020

- **3rd Amendment**
- Add infrequently used service rates, correct typographical errors

May 2022

- **4th Amendment**
- Comply with SB 1383 Regulations and implement 3 container organic waste collection for all customers

Annual Rate Adjustments

1. Refuse Rate Index (RRI) Adjustments

- Standard adjustment methodology
- Based on:
 - Financial statement of operating costs
 - 5 bureau of labor statics indices (labor, diesel, vehicle replacement, vehicle maintenance, and all other)
 - Change in disposal and processing costs

OR

2. Detailed Rate Review Adjustments

- Optional adjustment methodology, every third year (2020, 2023, 2026, etc.)
- Either Recology or city staff may request a detailed rate review
- Based on:
 - Actual operating costs
 - Maintaining profit within terms of agreement (90% ratio)

➤ **2024 Detailed Rate Review**

- City requested Detailed Rate Review on 4/17/23
- In response to request, Recology submitted its application 6/12/23

➤ **R3's Approach to Detailed Rate Review**

- Reviewing and assessing reasonableness of application for completeness and mathematical accuracy
- Reviewing and assessing the reasonableness of Recology's revenue and expense allocations to the City's franchise
- Reviewing the reasonableness of the forecasted revenues and expenses
- Reviewing the accuracy of calculated rate adjustment including:
 - Proper application of Recology's operating ratio (90%)
 - Proper calculation of franchise and AB 939 fees

Rate Adjustment and Findings

➤ Rate Application Details

- Initial application requested 7.46% increase to customer rates
- Total expenses, which includes for example, compensation, vehicle expenses, and depreciation totaled \$32 million.
- Recology's annual profitability would equal \$3.6 million

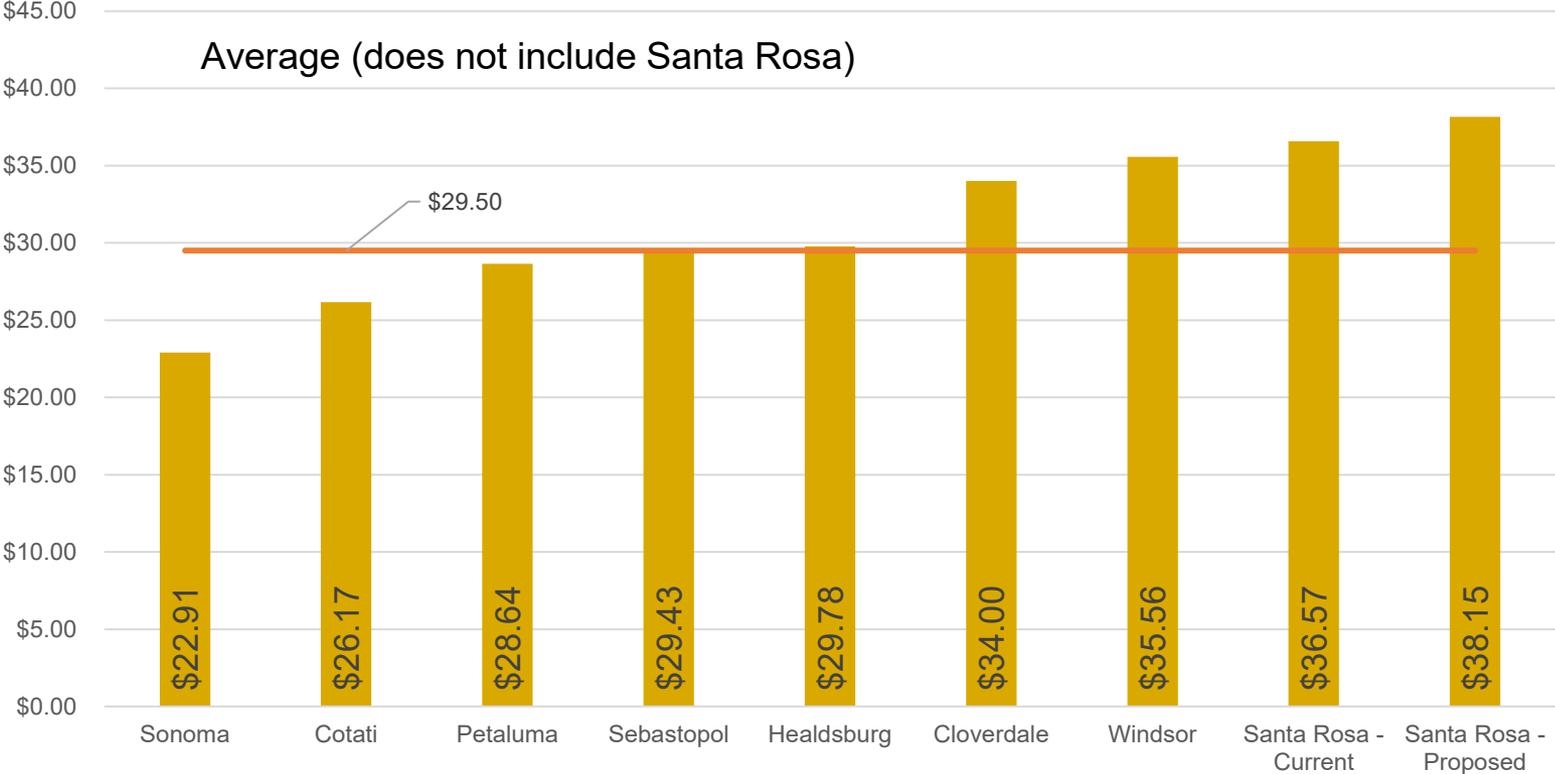
➤ Proposed Adjustments

- **Compensation** reduced from \$14.0 million to \$13.2 million.
Total Proposed Adjustment: \$807K
- **Asset depreciation** reduced from \$3.75 million to \$3.10 million.
Total Proposed Adjustment: \$600K
- **Profitability** reduced from \$3.6 million to \$3.4 million.
Total Proposed Adjustment: \$200K
- **Revenue** reduced from \$65 million to \$63 million.
Total Proposed Adjustment: \$2 million
- **Total rate adjustment** reduced from 7.46% to 4.33%

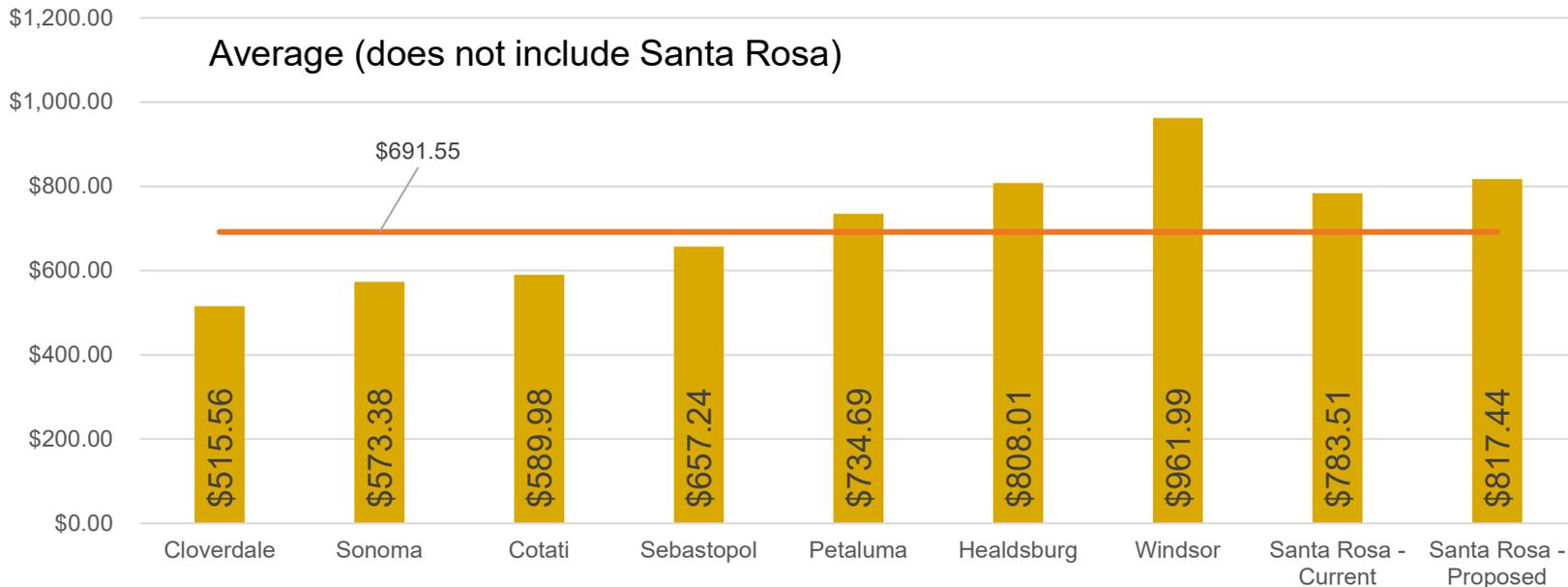
Comparison of Rates

- **Proposed 2024 residential customer rates were:**
 - Approximately 51% higher than the overall County average for 20-gallon cart customers
 - Approximately 26% higher than overall County average for 32-gallon cart customers
 - Approximately 7% higher than overall County average for 65-gallon cart customers
 - Approximately 11% higher than overall County average for 95-gallon cart customers
- **Proposed 2024 commercial and multi-family customer rates were:**
 - Approximately 13% higher than overall County average for 1CY bins
 - Approximately 20% higher than overall County average for 2CY bins
 - Approximately 11% higher than overall County average for 3CY bins
 - Approximately 17% higher than overall County average for 4CY bins

Weekly Residential Garbage, Recycling, and Organic Waste Collection Rate Comparison



4CY 1 Time Per Week Commercial Rate Comparison*



* **NOTE:** Commercial Collection Rates include the selected trash rate bundled with recycling and organic waste for all comparable jurisdictions, except Windsor. The rates for Windsor include the rate for garbage collection, plus a weekly collection for a 96-gallon recycling and a 64-gallon organic waste cart for a more comparable comparison.

Recommendations

- **Authorize City Manager to negotiate and execute Amendment No. 5 to Solid Waste Collection Services Agreement between City and Recology**
- **Approve the 4.33% increase set by Recology to be effective January 1, 2023 as correct and in accordance with the City's existing Solid Waste Collection Services Agreement**

Santa Rosa

2024 Detailed Rate Review

September 2023

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