

FINAL REPORT

City of Santa Rosa

Detailed Review of Recology's 2024 Rate Application

Submitted electronically: September 8, 2023



September 8, 2023

Mr. Jason Nutt
Assistant City Manager
City of Santa Rosa
100 Santa Rosa Avenue
Santa Rosa, CA 95404
submitted via email: jnutt@srcity.org

SUBJECT: Detailed Review of Recology's 2024 Rate Application – Final Report

Dear Mr. Nutt,

R3 Consulting Group, inc. (R3) is pleased to submit the results of the Recology Sonoma Marin's 2024 detailed rate review. Per Article 4.05 of the Solid Waste Collection Service Agreement (Agreement) between the City of Santa Rosa and Recology Sonoma Marin (Recology), either the City of Santa Rosa (City) and/or Recology may request a detailed rate review. The request must be made prior to, or on May 1st, with RSA required to submit its formal application by July 1st. City staff made such a request on April 17, 2023. Both requirements were met when Recology submitted its application on June 12, 2023.

City staff requested a detailed rate review to ensure Recology is fairly compensated, but also to ensure Santa Rosa's residents' collection rates are reasonable and competitive with surrounding cities. Detailed rate reviews can only occur every three years and are optional. In other years, Section 4.03.8 stipulates that rates are to be increased based on inflation using a Refuse Rate Index (RRI), which does not consider actual changes in Recology's costs. Based on the limited opportunity to request a detailed base rate review, it is prudent for the city to adjust commercial and residential rates in accordance with Recology's current cost structure and the contractual language in the Agreement.

The initial rate adjustment request totaled a 7.46% increase for both commercial and residential customers. R3's comprehensive review of the rate application resulted in adjustments that reduce the rate increase by 3.13%, down to 4.33%, the result of adjustments to wages and leases/depreciation and associated profit and franchise fees.

Recology's initial total revenue requirement request totaled \$65.0 million. After adjustments, Recology's total revenue request equals \$63.0 million, for a reduction of \$2.0 million. The 4.33% rate increase is below current trends for Sonoma County but represents a fair return based on the financial documentation used in the cost review.

In addition to 4.33% rate increase corroborated by this detailed rate review, R3 recommends an amendment to Article 4 and Exhibit 2 of the CSA, which would change the current Refuse Rate Index Methodology. These sections of the CSA prescribe the structure of the service recipient rates but does not account for Recyclable Material Revenue or Processing Elements of commercial and multi-family recycling service because recycling collection service is included at no added charge when commercial and multi-family customers subscribe to garbage collection.

However, residential customer rates are adjusted using Collection, Disposal, Organics Waste Processing, and Recyclable Material Revenue and Processing Elements. This causes inequity in the annual

percentage rate increases between Single-Family, Multi-Family and Commercial customer sectors. This amendment recommendation is discussed in more detail in the Draft Report prepared for the City in March 2023 (**Attachment 1**).

* * * * *

We wish to thank Recology for its cooperation during our review, in particular Nikki Burke. Should you have any questions or would like to discuss our Final Report in more detail, please do not hesitate to reach out directly.

Sincerely,








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Attachment

- 1. Draft Report (March 2023)

1. INTRODUCTION

Background

Industry Update

The solid waste industry is undergoing a series of changes in response to markets and state legislation, driving the need for creation of a more adaptive system. These developments impact the decisions the City of Santa Rosa (City) must make to responsibly address the growing complexity of collection, recycling, and disposal of solid waste generated by its residents and businesses.

Recycling, long a source of revenue for American solid waste companies, is no longer the lucrative industry it was when the U.S. was sending 70% of its used paper and 40% of its used plastic to China for processing. China's National Sword policy, which took effect on January 1, 2018, banned plastics and placed stringent contamination limits on paper products, no longer accepting those of the wrong type, low-quality, or mixed with trash. This has caused massive disruptions in recycling markets, and severely diminished commodity prices.

Senate Bill (SB) 1383, or *Short-Lived Climate Pollutants: Organic Waste Methane Emissions Reductions*, establishes methane emissions reduction targets and grants CalRecycle the authority to pass regulations to achieve those targets. The law is an unfunded state mandate, which passes the responsibility for achieving targets to local agencies. This new state law has an immediate goal of reducing organic waste sent to landfills and its ultimate objective of reaching statewide methane emissions reduction targets. More specifically, it sets a statewide goal for the reduction in organic waste to landfills – 50% by 2020 and 75% by 2025 – in addition to the recovery of 20% of edible food waste for human consumption.

SB 1383 requires local governments to provide organics collection to all generators, and all generators to subscribe. It also has specific mandates for container systems; education and outreach programs; monitoring and contamination reporting; and enforcement of regulations. CalRecycle's discretionary authority to begin enforcement actions on jurisdictions and other entities for lack of compliance with SB 1383 started on January 1, 2022. Civil penalties may begin accruing as of January 1, 2023.

The City and Recology must work together to comply with the various state laws, in addition to SB 1383, regulating solid waste services. Established in 1989, California's foundational solid waste law, AB 939, sets program requirements for recycling and established a statewide goal of 50% reduction in landfilled waste by 2000. This law was followed by AB 32 in 2006, which recognizes solid waste as a contributor to greenhouse gas emissions and set another goal to reduce greenhouse gas levels to 1990 levels by 2020. AB 341 Mandatory Commercial Recycling (2012) and AB 1826 Mandatory Commercial Organics Recycling (2014) add waste diversion program participation requirements on commercial and multi-family properties. AB 341 and AB 1826 also increased statewide goals to 75 percent diversion for recycling and 50 percent reduction of organic waste by 2020.

History of Collection Services

The City entered into the Agreement with Recology effective January 1, 2018, for 15 years, with an option to extend it up to 10 additional years. As part of the Agreement, Recology agreed to be bound by the City's Waste Delivery Agreement (WDA).

The WDA specifies that the Franchised Hauler's costs for a City-wide Commercial Food Waste Collection Program and City-wide Dry Commercial Mixed Waste Program are being fully compensated through the gate rates the Contactor pays for materials. As such, it is our understanding that any related costs are not to be included in Recology's revenue requirement, which is used to determine the appropriate rate adjustment.

On May 6, 2021, the County distributed letters addressed to jurisdiction representatives, including the City of Santa Rosa, that described the County's proposal to facilitate changes to existing agreements to comply with SB 1383. Within the letter, the County proposed to amend the Master Operating Agreement

between the County and Republic Services (MOA) and Prime Subcontract between Republic Service and Recology (MOA, Exhibit I), to consolidate all SB 1383 programs under jurisdiction franchise agreements including the removal of the commercial Food Waste Collection program and the corresponding per ton Facilities Operations Service Fee.

Through the Prime Subcontract (MOA, Exhibit I), Recology was receiving a per ton payment of \$4.21 per ton from the County-posted solid waste tipping fee to deliver commercial Source Separated Food Waste to an out of County facility. This was to cover the operational expenses (labor, vehicle maintenance and replacement, and fuel) to transport source separated Food Waste to an out of County facility. The tipping fee, effective April 1, 2021, was \$147.08 per ton. The per ton portion of the Facilities Operations Service Fee equates to approximately 2.9% of the total disposal fee component adjusted in the City's annual rate adjustment.

As a result, in Rate Adjustment Year 2022, Recology requested an adjustment to the collection rates to fully implement SB 1383 which included the per ton portion of the Facilities Operations Service Fee that are no longer included in the Prime Subcontract (MOA, Exhibit I).

Recology provides services to the following jurisdictions, and many of Recology's expenses are allocated among each of these individual operations using methodologies discussed below:

- » **Sonoma County:** Cloverdale, Cotati, Healdsburg, Petaluma, Santa Rosa, Santa Rosa, Sebastopol, Unincorporated County
- » **Marin County:** Bolinas, Novato Sanitary District, Stinson Beach, West Marin
- » **Mendocino County:** Point Arena

Within the City, Recology provides the following services:

- » **Residential:** Weekly solid waste, recyclable materials and compostable material collection; two (2) free bulky item collections per calendar year (spring and fall).
- » **Multi-Family Residential and Commercial:** Weekly solid waste, recyclable material and compostable material collection. Commercial Service also includes a dry commercial mixed waste program and source separated food waste program.
- » **Other:** Weekly residential and commercial street sweeping, City facilities, City-sponsored events, community clean-up.

Collection of temporary debris boxes, including construction and demolition debris box waste, is not included as part of Recology's Agreement with the City, but is collected by Recology under a separate collection permit, in which collection rates are not approved by the City.

The City is a member of Zero Waste Sonoma, formally known as the Sonoma County Waste Management Authority. Zero Waste Sonoma is a Regional Agency that manages composting and household hazardous waste programs and provides solid waste planning and reporting as well as education and outreach. It is comprised of representatives from ten jurisdictions in Sonoma County, but it reports to the state as one political body.

2. RATE ADJUSTMENT PROCESS

Detailed Rate Review

Per Section 4.05 of the Agreement, the City or Recology may request a detailed rate review to be conducted following the procedures listed in Exhibit 3 (Detailed Rate Review Methodology) of the Agreement. As specified in Exhibit 3:

As part of its rate application, CONTRACTOR shall assemble and submit its forecasts of: Service Recipient Rates, revenue given such rates, annual cost of operations, pass-through costs, and profit, for the year for which Service Recipient Rates are being adjusted, together with the method used to produce such forecasts, and such information as is necessary to support the assumptions made with regard to such forecasts (such as projected population growth or migration, service or operational changes, projected changes in tonnages, known or reasonably expected cost increases, etc.).

Review of Financial Statements

Recology's fiscal year (FY) is October 1 through September 30. Recology provided a financial statement for FY 2022 with a Summary Schedule containing the financial results for the City's franchise services. The summary schedule is tied to Recology's original Rate Application.

Rate Review Approach

Our review of Recology's Rate Application followed the methodology provided in Exhibit 3 of the Agreement, and included, but was not limited to:

- » Reviewing and assessing the reasonableness of Recology's 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; and
- » Reviewing the accuracy of the calculated rate adjustment, including the proper application of Recology's operating ratio (90%), and the proper calculation of franchise and AB 939 fees.

3. RECOLOGY PROJECTION METHODOLOGY

Recology projections of FY 2024 costs include the direct costs for the City's garbage, organics and recycling collection, costs for transfer, processing and disposal of garbage, organics and recycling, and costs of administering diversion programs, including outreach, education and technical assistance. In the Rate Application, many operating expenses are allocated between agencies served by Recology based on percent of revenue, percent of total FY 2022 expenses, and other metrics.

Recology Revenue and Expense Separation

Recology serves several communities across the counties of Sonoma and Marin. Each Recology customer is identified based on the franchise area in which the service address is located, and revenue is recorded in the franchise appropriate to the service address.

All Recology customers are assigned to routes for collection services, and route data includes the percentage of customers in each franchise each day. All routes were reviewed to determine how much time of each route is applicable to the Santa Rosa Franchise vs. any other Recology franchise or operation. Such analysis of all Recology routes drove the allocation of operational labor, trucks and fuel, as well as any other expenses allocated by route (such as safety, which is driven by time on the routes).

Disposal and recycling processing fees are based on tons collected from customers in each franchise. These tons are identified to a particular franchise, based on stops for the route on that day and the service level volume for each franchise and material.

Expense Projections

Recology projected its FY 2024 expenses for each expense category by:

- » **Labor** - Basing driver labor expense on the number of drivers, routes, and days attributed to the City's operations. Allocations for supervisor and support staff are based on Recology management assessment of time spent for Santa Rosa's operations and routes. The route allocation (% of annual total driver hours by franchise) for Santa Rosa is a key metric used in the Rate Application for calculations of labor and other expenses and represents the amount of service Recology delivers to the City relative to the other jurisdictions it serves.
- » **Regional and Corporate Allocations** - Allocation of regional and corporate management and support functions (i.e., accounting and administration) based on revenue.
- » **Landfill and Organics Processing Expense** - Forecasting projected FY 2024 landfill and organics processing expense using the FY 2022 tonnages multiplied by the applicable disposal/processing rate charged by the landfill/composting facility.
- » **Recycling Processing Expense** - Forecasting projected FY 2024 recycling processing expense using projected tons multiplied by the processing rate of \$93.85 per ton for 2024. Recycling tons are projected in the same manner as landfill and organics tons described above.
- » **Fuel Expense** - Forecasting projected FY 2024 fuel expense based increase of estimated 2024 costs, then adjusted 8.19% based on the California No. 2 Ultra Low Sulfur Diesel Index.
- » **Vehicle Maintenance & Repair** - Forecasting projected FY 2024 vehicles maintenance & repair expense based increased on estimated 2024 costs, then adjusted 6.38% based on the Parts and attachment index published by the Bureau of Labor & Statistics.
- » **Depreciation** - Forecasting projected depreciation based on Recology's actual depreciation expense directly attributable to the City plus a cost allocation for shared equipment.
- » **City Fees**
 - Franchise fees were forecasted at 14% of projected 2024 revenue.
 - AB939 costs were adjusted 6.3% based on the Bureau of Labor & Statistics Consumer Price Index for San Francisco, Oakland, and Hayward.

Revenue Projections

Recology projected FY 2022 revenue from residential, commercial, and multi-family activity, then projected based on the 2024 residential rate index rate increases.

Profit Projections

Recology calculated its allowed profit by applying the agreed-upon 90% pre-tax operating ratio to its 2024 total projected expenses.

4. ADJUSTMENTS

Recommended Rate Adjustments

Based on our review, we are recommending adjustments to Recology's requested rate increase, resulting in a recommended increase of 4.33% compared to the original request of 7.46%. This reflects a net decrease in the Company's proposed revenue requirement of \$2.0 million. Our recommended rate adjustment is based on the following adjustments, and are shown in **Table 3**, on page 9.

Payroll and Related Expenses

Recology's detailed rate review application described a significant increase in wages from \$10.5 million in 2022 to \$14.0 million in 2024, for a net increase of \$2.5 million. Wages increased due to a new collective bargaining agreement with large hourly rate increases, the addition of three new holidays, and the addition of more personnel to meet operational requirements. The increase in compensation is due to additional staff and higher wages to retain employees.

- » Driver compensation increased \$1.3 million to \$8.7 million due to higher wages, in addition to three additional holidays and increased pension benefits.
- » Operation manager compensation increased \$241K to \$1.0 million due to higher wages and the addition of two employees, including a new District Manager in 2022. Other factors included the promotion and improved compensation for well-deserved employees.
- » Customer Service Representatives (CSRs) compensation increased \$128K to \$814K due to a higher wages, three additional holidays and increased pension rates.
- » Mechanics and support staff compensation increased \$338K to \$1.2 million due to higher wages, the promotion of six mechanics, and four additional new hires.
- » Administrative compensation increased \$923K to \$2.1 million.

Adjustments

Upon review of information provided by Recology, R3 adjusted payroll and related expenses downward by \$806,980. This adjustment was made in order to tie the figures in the rate application to those in the financial information provided by Recology. Recology has concurred with this adjustment.

Lease Depreciation Useful Life and Cost Recovery

The lease costs in the rate application applied a seven-year useful life to each asset category: trucks, general & administrative, support vehicles, and containers. An adjustment is necessary because the Agreement stipulates the following useful life by cost category: trucks at 8-years, general and administrative assets at 5-years; support vehicles at 8-years, and containers at 10-years.

Adjustments

Adjustments identified by R3 reduced lease and depreciation cost projections from \$3.8 million to \$3.1 million, a reduction of \$659,142 in total, and the sum of the below:

- » Hauling Trucks assets are to be depreciated at a useful life of 8 years rather than 7 years. Accordingly, costs were reduced by \$327K.
- » General & Administration assets are required to be depreciated at a useful life of 5 years rather than 7 years. Accordingly, costs were increased by \$11.6K. An additional adjustment decreases General & Administrative costs by \$36K due to an overallocation of costs. Totals decreased costs by \$25K.
- » Support Vehicles & Equipment assets are to be depreciated at a useful life of 8 years rather than 7 years. Accordingly, costs were decreased by \$2.4K.
- » Containers are required to be depreciated at life of 10 years rather than 7 years. Accordingly, costs were reduced by \$305K.

Recology has concurred with these adjustments.

Future Capital Asset Purchases

Within the rate application and ultimately within the garbage rates paid by Santa Rosa's residents and business owners will pay \$3.1 million in depreciation costs in 2024, 2025, and 2026. Over the next three years Recology will receive \$9.3 million in cost recovery.

Costing schedules for the same three-year period support compensation of \$7.7 million, with a net difference of \$1.6 million. This averages to \$527K annually. The costs presented represent future asset purchases that are put into service for the benefit of Santa Rosa ratepayers.

Recology, in coordination with City Staff, pledges to purchase capital assets equivalent to the \$527K in annual depreciation costs to offset the cost shortfall. Recology also agrees to provide a list of those assets and their in-service dates to City Staff.

For example, a \$527K annual depreciation cost is the equivalent of a \$2.6 million purchase with a useful life of 5-years. The equivalent purchase for an 8-year useful life is \$4.2 million. **Table 1**, below, illustrates the relationship between purchase price and annual depreciation. No adjustments have been proposed.

Table 1: Future Asset Purchases In-Service Date: 2024

Asset's Useful Life	Capital Purchase	Annual Depreciation	2024	2025	2026	Total Cost Recovery
5 Years	\$2.6M	\$527K	\$527K	\$527K	\$527K	\$1.6M
8 Years	\$4.2M					

Profitability

Based on the adjustments described above, profitability was reduced from \$3.6 million to \$3.4 million.

Franchise Fees

Based on the adjustments described above, franchise fees were adjusted down by \$395K from \$9.1 million to \$8.8 million.

Disclaimer

Our conclusions are based in part on the review of Recology's projections of its financial results of operations. Actual results of operations will usually differ from projections because events and circumstances frequently do not occur as expected, and the difference may be significant.

Table 2: Recology Requested Rate Adjustment

	Projected Rate Year 2024	Adjustments for Unallowed	Allowable Rate Year Expenses
Total Expenses			
Payroll & Related, Temp. Labor	\$ 13,988,425	\$ -	\$ 13,988,425
Liability Insurance	1,079,773	-	1,079,773
Disposal	16,686,147	(16,686,147)	-
Recycling Processing Fee	3,251,006	(3,251,006)	-
Rent & lease	8,006	-	8,006
Supplies	994,759	-	994,759
Repairs & Maintenance	1,765,642	-	1,765,642
Fuel & Oil	2,801,243	-	2,801,243
Buildings & Facilities	142,003	-	142,003
Licenses & Permits	129,190	-	129,190
Utilities	59,853	-	59,853
Freight	53,672	-	53,672
Recycling & COGS	-	-	-
Bad Debt	433,367	-	433,367
Professional Services	126,092	-	126,092
Travel, meals & entertainment	19,009	(12,692)	6,318
Office expenses	419,573	-	419,573
Taxes	179,508	-	179,508
Regional Allocations	1,775,148	-	1,775,148
Corporate Allocations	2,128,597	-	2,128,597
Other Operating Expenses	404,532	-	404,532
Depreciation & Depletion	543,546	-	543,546
Amortization	1,430,597	-	1,430,597
(Gain)/loss on sale	1,381	-	1,381
I/C equipment & property	3,754,667	-	3,754,667
Total Adjusted Expenses	\$ 52,175,738	\$(19,949,845)	\$ 32,225,893
Allowable Profit	10.0% Margin		\$ 3,580,655
Required Revenue Rate Year 2023			
Total Allowable Expenses (including Profit)			\$ 35,806,548
Franchise Fees	14.0%		9,101,221
Annual Payment			145,280
DRR Review Fees			18,519
Disposal Fees			16,686,147
RCY Processing Fees			3,251,006
Total Required Collection Revenue			\$ 65,008,720
Projected Collection Revenue			60,497,231
Indicated Rate Change at 1/1/24			7.46%

Table 3: Recommended Adjustments

	Projected Rate Year 2024	Adjustments for Unallowed	Allowable Rate Year Exps
Total Expenses			
Payroll & Related, Temp. Labor	\$ 13,988,425	\$ (806,980)	\$ 13,181,445
Liability Insurance	1,079,773	-	1,079,773
Disposal	16,686,147	(16,686,147)	-
Recycling Processing Fee	3,251,006	(3,251,006)	-
Rent & lease	8,006	-	8,006
Supplies	994,759	-	994,759
Repairs & Maintenance	1,765,642	-	1,765,642
Fuel & Oil	2,801,243	-	2,801,243
Buildings & Facilities	142,003	-	142,003
Licenses & Permits	129,190	-	129,190
Utilities	59,853	-	59,853
Freight	53,672	-	53,672
Recycling & COGS	-	-	-
Bad Debt	433,367	-	433,367
Professional Services	126,092	-	126,092
Travel, meals & entertainment	19,009	(12,692)	6,318
Office expenses	419,573	-	419,573
Taxes	179,508	-	179,508
Regional Allocations	1,775,148	-	1,775,148
Corporate Allocations	2,128,597	-	2,128,597
Other Operating Expenses	404,532	-	404,532
Depreciation & Depletion	543,546	-	543,546
Amortization	1,430,597	-	1,430,597
(Gain)/loss on sale	1,381	-	1,381
I/C equipment & property	3,754,667	(659,142)	3,095,525
Total Adjusted Expenses	\$ 52,175,738	\$(21,415,967)	\$ 30,759,771
Allowable Profit	10.0% Margin		\$ 3,417,752
Required Revenue Rate Year 2023			
Total Allowable Expenses (including Profit)			\$ 34,177,523
Franchise Fees	14.0%		8,836,031
Annual Payment			145,280
DRR Review Fees			18,519
Disposal Fees			16,686,147
RCY Processing Fees			3,251,006
Total Required Collection Revenue			\$ 63,114,506
Projected Collection Revenue			60,497,231
Indicated Rate Change at 1/1/24			4.33%

5. SURVEY OF COMPARABLE RATES

R3 conducted a survey of solid waste rates focusing primarily on agencies located in Sonoma County and served by Recology. When comparing rates in Sonoma County, it is important to consider the region's solid waste service history: most agencies previously held contracts with Santa Rosa Disposal/The Ratto Group, which were assigned when Recology purchased substantially all the assets of the Ratto Group in late 2017. For many years, The Ratto Group extended artificially low pricing, maintained by limiting investments in its operations; Recology has since implemented core improvements including safety and environmental compliance and has submitted corresponding cost-based rate adjustment requests for agency consideration throughout the County.

Tables 4 and 5, below, provide the most current rates for jurisdictions in Sonoma County.

In comparing the City's proposed rates to those jurisdictions in Tables 4 and 5, it is important to note that the City of Santa Rosa and Town of Windsor went through a competitive procurement process, secured new collection service agreements, and transitioned to new service providers. Most Sonoma County jurisdictions have now had their rates adjusted through a detailed rate review or procurement since Recology's acquisition of The Ratto Group assets. The rates noted in both tables are reflective of current rates published on each of the respective hauler's websites.

Table 4: Weekly Residential Garbage, Recycling, and Organic Waste Collection Rate Comparison

Hauler	Jurisdiction	Effective Date	20-Gal Cart	30-40-Gal Cart	60-65-Gal Cart	90-100-Gal Cart
Sonoma Garbage	Sonoma	7/1/2023	\$14.27	\$22.91	\$48.27	\$73.40
Recology	Cotati	1/1/2023	\$18.62	\$26.17	\$68.61	\$105.74
Recology	Petaluma	7/1/2023	\$16.18	\$28.64	\$54.32	\$89.60
Recology	Sebastopol	7/1/2023	\$16.83	\$29.43	\$42.61	\$57.65
Recology	Healdsburg	1/1/2023	\$22.52	\$29.78	\$42.61	\$57.65
Recology	Cloverdale	12/1/2022	\$24.84	\$34.00	\$53.35	\$68.99
SCRR	Windsor	4/1/2023	\$27.09	\$35.56	\$54.75	\$82.95
Recology	Santa Rosa	Current	\$32.52	\$36.57	\$53.40	\$81.79
Recology	Santa Rosa	Proposed	\$33.93	38.15	\$55.71	\$85.33

Table 5: Commercial Garbage Collection Rate Comparison

Hauler	Jurisdiction	Effective Date	1.5 CY 1x/week	2 CY 1x/week	3 CY 1x/week	4 CY 1x/week
Sonoma Garbage	Sonoma	7/1/2023	N/A	\$293.04	\$432.59	\$573.38
Recology	Cloverdale	12/1/2022	\$281.58	\$351.87	\$436.78	\$515.56
Recology	Cotati	7/1/2023	\$299.36	\$395.98	\$495.38	\$589.98
Recology	Sebastopol	7/1/2023	\$352.52	\$418.06	\$582.21	\$657.24
Recology	Healdsburg	1/1/2023	\$376.49	\$471.98	\$647.94	\$808.01
Recology	Petaluma	7/1/2023	\$425.43	\$499.77	\$668.70	\$734.69
SCRR	Windsor	4/1/2023	\$570.50	\$634.65	\$833.40	\$961.99
Recology	Santa Rosa	1/1/2023	\$419.66	\$512.11	\$626.01	\$783.51
Recology	Santa Rosa	Proposed	\$437.83	\$534.28	\$653.12	\$817.44

***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 cart, and a 64-gallon organic waste cart for a more comparable comparison.

Figure 1, below, shows a summary of rates for residential customers with 30- to 40-gallon garbage service in various jurisdictions. The 2024 proposed 32-gallon rate of \$38.15 for the City is approximately 29% higher than the overall Sonoma County average of \$29.50 for 30- to 35-gallon containers; this average is expected to rise as more cost-based rate adjustments are adopted in more jurisdictions.

Figure 1: 30-40 Gallon Residential Rate Comparison

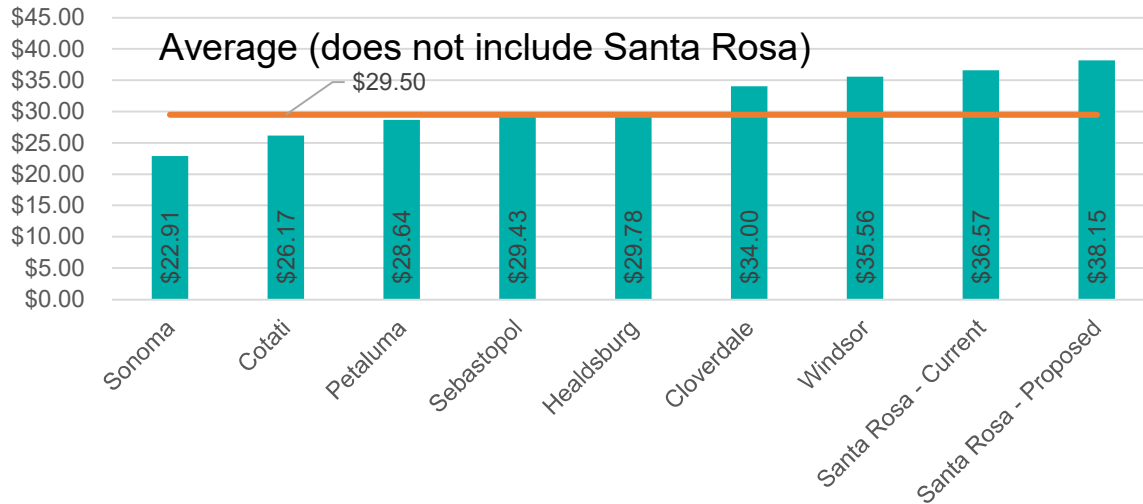
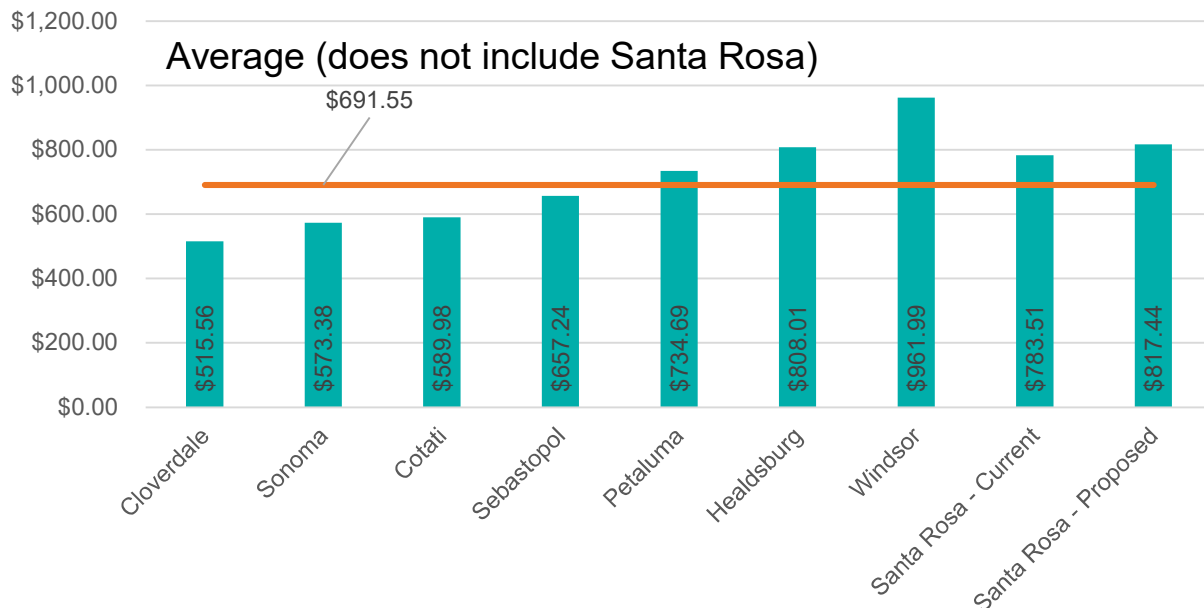


Figure 2, below, shows a summary of rates for commercial customers utilizing the 4-CY bin in various jurisdictions. The 2024 proposed 4-CY rate of \$817.44 is approximately 18% higher than the overall Sonoma County average of \$691.55.

Figure 2: 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 cart, and a 64-gallon organic waste cart for a more comparable comparison.

When comparing rates, it is also important to understand the subscription levels at each cart size. **Table 6**, below, provides the current distribution of residential accounts by cart size (service level). As shown, more than 75% of accounts subscribe to a 32-gallon or 64-gallon service.

Table 6: Residential Accounts by Service Level

Cart Size	Number of Accounts	Percent of Total	Cumulative % of Total
20 gallon	7,376	15.2%	15.2%
32 gallon	22,528	46.4%	61.6%
64 gallon	15,645	32.2%	93.8%
96 gallon	2,998	6.2%	100%
Total	48,547	100%	

Table 7, below, provides the current distribution of commercial accounts by garbage bin size (service level). As shown, subscription to 2-, 3- and 4-CY bins account for over 80% of the commercial customer base.

Table 7: Commercial Accounts by Service Level

Bin Size	Number of Accounts	Percent of Total	Cumulative % of Total
1.0 CY	93	5.2%	5.2%
1.5 CY	80	4.4%	9.6%
2.0 CY	410	22.8%	32.4%
3.0 CY	411	22.8%	55.2%
4.0 CY	709	39.4%	94.6%
6.0 CY	98	5.4%	100.0%
Total	1,801	100%	

These survey results are presented as an indication of the reasonableness of the City's resulting rates for 2023. Conclusions should not be immediately drawn from this information because rate comparisons do not necessarily provide a full picture.

This results from differences in issues, which may include:

- » The types and ranges of services provided, as well as the level of subscription to solid waste services by residential, commercial, and industrial customers;
- » The ratio of residential to commercial and industrial customers;
- » The terrain in which the service is performed;
- » Per capita material generation rates and disposal, transfer, and processing costs; and
- » Rate structures and governmental fees (e.g., franchise fees, vehicle impact fees, etc.).