



Crowe LLP

Independent Member Crowe International
575 Market Street, Suite 3300
San Francisco, California 94105-5829
Tel 415.576.1100
Fax 415.576.1110
www.crowe.com

March 11, 2024

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 Submitted by Mt. Diablo Resource Recovery**

Dear Ms. Dingman:

This report provides results of Crowe LLP's (Crowe) analysis of a rate application (Application) submitted by Garaventa Enterprises (dba Mt. Diablo Resource Recovery – Contra Costa County ("MDRR")) to Contra Costa County (County) to cover new costs required to comply with Senate Bill 1383 (SB 1383). Garaventa provides refuse, organics, and recycling collection services to 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. Initial SB 1383 Rate Application (2022)
- C. Adjusted SB 1383 Rate Model
- 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 MDRR (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.

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. The information in this Analysis is based on estimates, assumptions and other data developed from information provided by MDRR,

knowledge of and participation in other studies, data supplied by the County, and other sources deemed to be reliable.

B. Summary

In its Application, MDRR requested a rate increase of 22.05 percent. Based on the analysis of the Application, and applying the methodology contained in the Manual, we calculated a combined SB 1383 rate increase of 15.02 percent for 2024.

Table 1 below shows the rate increase for typical residential customer service levels. For residential customers, this rate increase corresponds to an increase of between \$5.14 and \$8.86 per customer, per month, depending on the residential service level. **Table 2** shows the calculated rate increase for typical commercial customers, depending on the commercial service level.

Table 1
Mt. Diablo Resource Recovery
2024 Residential Rates, by Service Level
(Per Customer, Per Month)

Service Level	2023 Rate ¹	SB 1383 Rate Increase (15.02%)	2024 Rate
20 Gallon	\$34.25	\$5.14	\$39.39
32 Gallon	\$42.72	\$6.42	49.14
64 Gallon	\$49.56	\$7.44	57.00
96 Gallon	\$58.96	\$8.86	67.82

Table 2
Mt. Diablo Resource Recovery
2024 Commercial Rates, by Selected Service Level
(Per Customer, Per Month)

Service Level	2023 Rate ¹	SB 1383 Rate Increase (15.02%)	2024 Rate
96 Gallon Cart	\$87.70	\$13.17	\$100.87
2 Yd Bin 1 x per week	388.22	58.31	446.53
3 Yd Bin 1 x per week	542.25	81.45	623.70
6 Yd Bin 1 x per week	1,006.07	151.11	1,157.18

¹ Effective September 1, 2023.

C. Background of Analysis

On October 12, 2023, MDRR submitted a rate request to the County to cover new costs associated with SB 1383 compliance related activities. MDRR's 2024 projected SB 1383 compliance costs primarily include:

- Capital costs for SB 1383 requirements – container labels, customer outreach, and regulatory compliance
- An increase of three (3) additional residential drivers and trucks which is needed to shift from bi-weekly to weekly organics collection
- Tipping fee increase at the CCWS/RCTS facility of \$17.11 per ton for facility 1) recycling operations at MDR, 2) SB 1383 post collection processing costs, and 3) costs of new related buildings and infrastructure.²

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.

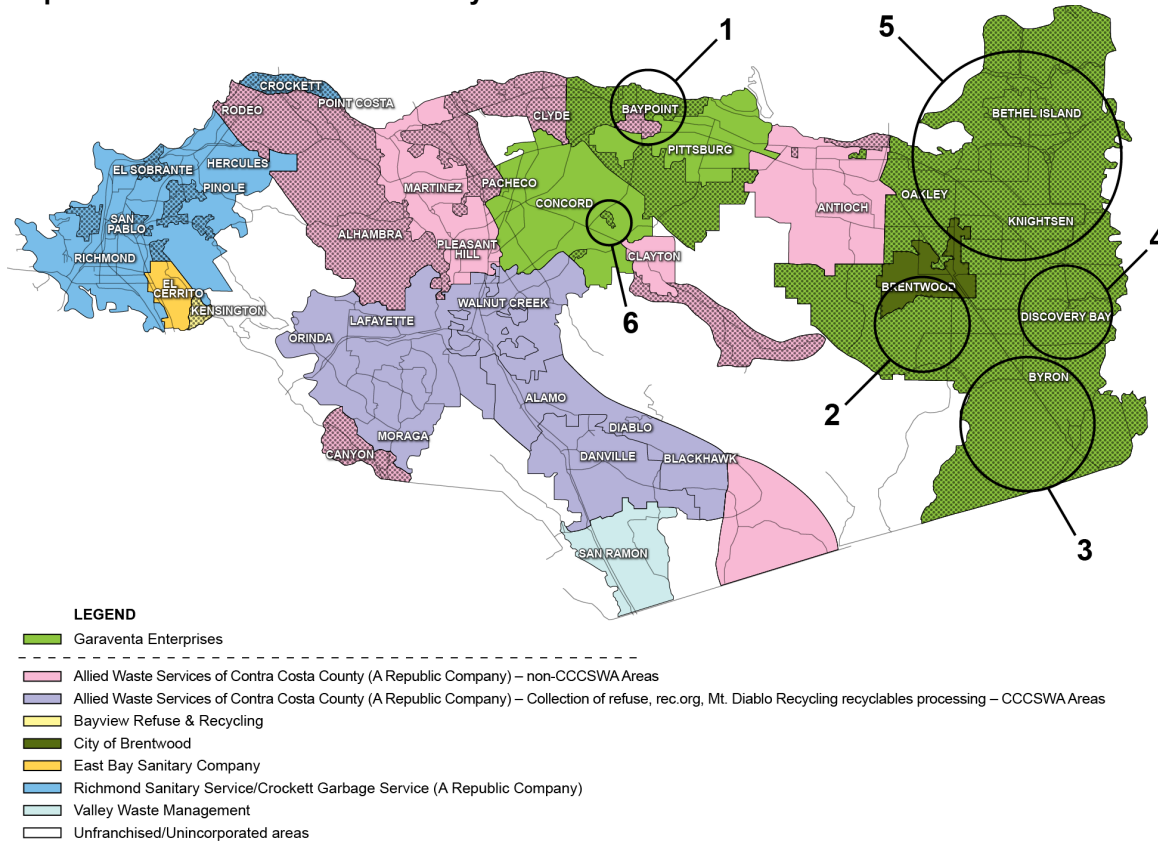
MDRR consolidates refuse collected from unincorporated County areas at the Recycling Center and Transfer Station (RCTS) in Pittsburg, California. MDRR then transports the refuse to Keller Canyon Landfill (located in unincorporated Contra Costa County) for disposal. MDRR provides curbside recycling services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

Residential customers commingle their recyclable materials into one 96-gallon cart. MDRR collects residential curbside recyclables bi-weekly.³ 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.

² Represents a \$16.25 per ton increase in 2021 escalated by 1.59% in 2022 and 3.66% in 2023.

³ With the exception of customers located on Marsh Creek Road who currently place their recyclables out for weekly collection in special company issued blue bags.

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



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 MDRR’s incremental new costs required to comply with SB 1383 requirements. MDRR’s Application is for an “extraordinary rate adjustment,” which the Manual describes as follows:

“Special extraordinary rate applications are allowed outside of the annual schedules of the base year, interim year, and CPI adjustments. Both the County and the 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. An extraordinary rate adjustment can only be implemented by the franchise hauler if approved by the Board of Supervisors and the required rate change notice has been provided to customers 30 days in advance.

This extraordinary adjustment will only be considered in a case where the franchise hauler can demonstrate that a change in one of the cost line items specified in the Base Year Rate Change Application will exceed two (2) times the most recent change in the Consumer Price Index for the San Francisco-Oakland-San Jose area published by the Bureau of Labor Statistics.”

Fairness is demonstrated through a detailed evaluation of MDRR actual revenues and projected expenses to comply with SB 1383 requirements. Residential charges also should be justifiable and

supportable. Rate setting is prospective. The County sets rates in advance of when actual results occur. The County sets rates that are intended to cover MDRR's costs of operations and allow a reasonable profit. The County uses the operating ratio (OR) method to project the profit level allowed to MDRR. The actual OR level, or profit, received by MDRR 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 MDRR's SB 1383 Rate Request
2. Support County in discussions with MDRR
3. Prepare Draft and Final Reports.

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

- Determined whether the request and rate model is mathematically correct and complete
- Assessed assumptions regarding incremental changes in routes, trucks, labor, operating costs, carts, profits, and franchise fees
- Obtained documentation supporting baseline and incremental changes to MDRR's costs (e.g., route data, number of drivers/laborers, truck and cart depreciation schedules, inventory reports, and purchase orders validating cost of new trucks/carts)
- Evaluated changes in tipping fees at the RCTS required to process organics materials and to shift to including post-collection recyclables processing in the facility tip fee
- Compared incremental SB 1383 implementation costs, provided by MDRR and others, experienced in similar jurisdictions
- Identified adjustments to the company's request, as necessary.

F. History of Collection Rates

Over the 24 years since the County implemented the Manual (1998 to 2021), County residential rate increases (shown in **Table 3**) averaged approximately 3.19 percent on a compounded basis (including rate increases for new programs). During this same timeframe the applicable CPI increased by approximately 2.91 percent on a compounded basis.

Table 3
Unincorporated Contra Costa County
Historical Mt. Diablo Resource Recovery
Residential Refuse Collection Rate Changes
(1998 to 2023)

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
2022	3.15%
2023	5.00%

G. SB 1383 Rate Application

The County received MDRR's SB 1383 Rate Change Application (Application) on October 13, 2023. A copy of the Application is provided in **Attachment A** at the end of this report.⁴ As shown in **Table 4** this

⁴ Note that this application supersedes a prior SB 1383 application submitted in 2021 (provided in Attachment B). Additional time was needed to fully implement the associated SB 1383 facility and operational changes.

request corresponds to a \$10.93 per customer, per month, increase in the 64-gallon residential rate, the most common service level in the County franchise area.

Table 4
Mt. Diablo Resource Recovery
Requested 2024 Residential Rates, by Service Level
(Per Customer, Per Month)

Service Level	2023 Rate	2024 Rate	Rate Change
20 Gallon	\$34.25	\$41.80	\$7.55
32 Gallon	\$42.72	\$52.15	\$9.42
64 Gallon	\$49.56	\$60.49	\$10.93
96 Gallon	\$58.96	\$71.96	\$13.00

H. Results of Analysis

This section provides the analysis of MDRR’s Application. The impact of each adjustment is identified in terms of a dollar value increase or a decrease for each revenue and cost category shown in the Application. The adjusted rate model is provided in **Attachment C**.

Revenue Requirement

The revenue requirement is the amount of revenue that MDRR 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.

MDRR’s requested incremental addition to the County revenue requirement for SB 1383, as submitted in the Application, was \$1,814,294 (see Line 48 of the Application). The analysis of the Application resulted in an overall decrease of \$514,173 to MDRR’s requested revenue requirement resulting in an adjusted 2024 revenue requirement of \$1,300,121.

The remainder of this subsection identifies and explains adjustments to MDRR’s 2024 projected revenues and costs.

Revenues

Residential Revenues (Line 1)

MDRR projected 2024 residential revenues of \$5,894,000. These revenues were adjusted from \$5,894,000 to \$6,302,987 based on annualizing ten months of actual MDRR provided 2021 residential revenue data and adjusting for approved rate changes in 2022 and 2023.

- Net Impact: \$408,987 increase in 2024 residential revenues.

Commercial and Light Industrial Revenues (Lines 2 and 3)

MDRR projected 2024 commercial and light industrial revenues of \$2,335,000. These revenues were adjusted from \$2,335,000 to \$2,353,382 based on annualizing ten months of actual MDRR provided 2021 commercial and light industrial revenue data and adjusting for approved rate changes in 2022 and 2023.

- Net Impact: \$18,382 increase in 2024 commercial and light industrial revenues.

Allowable Costs

Residential and Commercial Drivers (Lines 6 and 7)

MDRR projected an increase to its estimated incremental new driver costs of \$517,000, reflective of:

- An additional 3 residential drivers (equivalent to 3.0 FTEs) to support weekly versus bi-weekly organics hauling services, equal to an increase of \$507,000 in salary, payroll taxes, and fringe benefits
- An additional portion of a commercial driver (equivalent to a 0.06 FTEs) to support weekly versus bi-weekly organics hauling services, equal to a total of \$10,000 in salary, payroll taxes, and fringe benefits.

Driver labor was adjusted to reflect an incremental residential driver requirement of 2.0 FTEs rather than the 3.0 FTEs requested, which resulted in a decrease of \$84,855. Assumptions related to the incremental 2.0 FTEs needed to move from residential bi-weekly to weekly service are provided in **Table 5** below:

Table 5
Mt. Diablo Resource Recovery
Residential Organics Collection Changes from Current Bi-weekly to Weekly Service

Area	Current Number of Route Days (Every Other Week Service)	Current Work Days (Every Other Week Service)	New Work Days (Every Week Service)	Incremental Change in Work Days (Every Week Service)	Incremental Change in Full Time Equivalent Staff
Bay Point	2 Drivers, 2 Days/ Every Other Week	104 Work Days ⁵	208 Work Days	104 Work Days	0.5 FTE
Brentwood	1 Driver, 4 Days/ Every Other Week	104 Work Days ⁶	208 Work Days	104 Work Days	0.5 FTE
Discovery Bay	3 Drivers, 2 Days/ Every Other Week	156 Work Days ⁷	312 Work Days	156 Work Days	1.0 FTE
Total					2.0 FTE

- Net Impact: \$84,723 decrease in 2024 direct labor costs.⁸

Depreciation and Other Operating Costs (Lines 9 to 14)

MDRR projected an incremental increase in 2024 depreciation and other operating costs of \$84,000 which reflects:

- Projected annual outreach (cart labels) depreciation of \$35,000
- Projected annual flyers and publications of \$40,000
- Projected other compliance costs of \$9,000.

Net Impact: \$397 decrease in 2024 depreciation and other operating costs (minor adjustment due to rounding).

⁵ Equals 2 drivers x 2 days per week x 26 weeks per year.

⁶ Equals 1 driver x 4 days per week x 26 weeks per year.

⁷ Equals 3 drivers x 2 days per week x 26 weeks per year.

⁸ Includes a \$132 addition to commercial drivers (a minor rounding adjustment).

Allowable Operating Profit (Line 26)

MDRR's projected 2024 allowable operating profit totaled \$66,778, which reflects:

- A 90 percent operating ratio, and
- Projected \$601,000 in total allowable costs.

In accordance with the Manual, the calculation is based on a 90 percent operating ratio. MDRR's projected 2024 operating profit was reduced from \$66,778 to \$57,320 based on the adjustments noted above to MDRR's projected 2024 total allowable costs (i.e., from \$601,000 to \$515,880).

- Net Impact: \$9,458 decrease in 2024 allowable operating profit.

Pass Through Costs

Trucking and Equipment Costs

MDRR's projected incremental 2024 trucking and equipment costs totaled \$897,000, which reflects:

- An increase by 3.00 residential trucks totaling \$880,000
- An increase by 0.06 commercial trucks totaling \$17,000.

MDRR's assumption regarding the total number of new incremental residential trucks was reduced from 3.0 to 2.0 to align with the driver's 2.0 FTE allocation to support weekly organics collection services (shown in Table 5). This change in MDRR's allocation basis decreased the 2024 projected trucking and equipment costs from \$897,000 to \$604,107.

- Net Impact: \$292,893 decrease in 2024 trucking and equipment costs.

Tipping Fees

MDRR's projected incremental new 2024 tipping fees (pass-through) costs totaled \$352,000, which reflects:

- Projected increase in the cost of recycling processing at the Recycling Center & Transfer Station (RCTS) of \$141,000⁹
- Projected increase in SB 1383 post collection efforts at the RCTS of \$92,000
- Projected increase to account for capitalizing the costs of an upgraded SEG mechanics shop at the RCTS of \$16,000
- Projected increase to account for capitalizing the costs of a new organics processing facility (building and infrastructure) at the RCTS of \$103,000.

MDRR's projection for these item was reduced to correct for an incorrect calculation. The Application incorrectly included costs for a different jurisdiction (a neighboring city) rather than those for the County-served areas. Additionally, we adjusted the operating ratio applied to these new tipping fees to 90 percent from the 85 percent level included by MDRR in the Application. These two adjustments resulted in an overall decrease of \$90,710.

- Net Impact: \$90,710 decrease in 2024 tipping fee costs.

Franchise Fees

The County franchise agreement with MDRR specifies that the County can establish an amount equal to "a percentage of Contractor's [MDRR's] Gross Annual Revenues" with the "amount, time and frequency of

⁹ Note: this represents a change in how the company accounts for processing recycled materials at the MRF. As a consequence, this new cost item is offset by removing the cost of processing materials at the MRF under the current methodology which was equal to \$246,757 (see Line 32 of the application where this is shown as an offset to the incremental new costs).

payment of such fees established by the County.” The franchise fee paid by MDRR to the County is currently equal to seven (7) percent of gross revenues. Gross revenues include residential, commercial, and light industrial refuse and recycling revenues. Franchise fees are a pass-through expense, which do not earn profit. MDRR’s projected incremental 2024 franchise fees were reduced from \$144,274 to \$108,281 based on the adjustments to MDRRs projected 2024 costs noted above.

- Net Impact: \$35,992 decrease in 2024 franchise fees.

A summary of the results of this Analysis is provided in **Table 6**.

Table 6
Mt. Diablo Resource Recovery
Requested and Adjusted New 2024 Revenue Requirement and Rate Change
(SB 1383)

Description	Application	Adjustments	Total Adjusted
SB 1383 New Revenue Requirement	\$1,814,294	-\$514,173	\$1,300,121
SB 1383 Rate Change	22.05%	-7.03%	15.02%

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.



Ms. Deidra Dingman
March 11, 2024

Page 11

Crowe's fees are not dependent upon the outcome of this report.

As a CPA firm the following statement is required: Crowe LLP is licensed by the California Board of Accountancy. Note also that Crowe and certain of its owners are licensed by the California State Board of Accountancy, but we are required by law to inform you that Crowe has owners not licensed by the California State Board of Accountancy who may provide services in connection with this engagement.

* * * * *

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.



Ms. Deidra Dingman
March 11, 2024

Page 12

Attachment A: SB 1383 Rate Application

Attachment A includes the updated 2024 (Application) submitted by MDRR to the County. In the Application, MDRR proposed to increase unincorporated County collection rates by 22.05 percent in 2024. The Application modified MDRR's original SB 1383 application submitted in 2022 (shown in Attachment B).

The changes from the 2022 application to this 2024 Application include:

- Adjusted for the impact of an approved rate increase of 3.15% residential/7.15% commercial in 2022
- Adjusted for the impact of an approved rate increase of 5.00% in 2023
- Removal of pail, lid, and cart depreciation
- Adjusted for CPI based adjustments to applicable allowable and pass through costs in 2022 (5.90%) and 2023 (2.88%)
- Removal of the CPI based increase (Line 50, already granted through rate changes noted above).

**Contra Costa County
2024 Commercial and Residential Rate Increases
Includes 1383 Costs
MDRR - County Rate Increase**

		Bay Point	Brentwood	Discovery Bay	FY21 Total	2022 adj.	2023 adj.	Total '24 FY fcst.	
1	2020 Revenue	Residential Service	1,393,538	1,169,292	2,879,424	5,442,255	3.15%	5.00%	5,894,000
2		Commercial Service	361,939	793,196	291,976	1,447,111	7.35%	5.00%	1,631,000
3		Debris Box	385,476	212,848	51,590	649,914	3.15%	5.00%	704,000
4		Total Commercial Revenue	\$ 747,416	\$ 1,006,044	\$ 343,565	\$ 2,097,025			\$ 2,335,000
5									
6									
7									
8									
9	Allowable Costs	Total Revenue	\$ 2,140,954	\$ 2,175,336	\$ 3,222,989	\$ 7,539,280			\$ 8,229,000
10		Additional Residential Drivers	154,987	77,493	232,480	464,961	5.90%	2.88%	507,000
11		Additional Commercial Drivers	1,550	1,550	6,200	9,299	5.90%	2.88%	10,000
12		Additional Drivers	156,537	79,043	238,680	474,260			517,000
13		Pail Depreciation	3,129	2,395	4,999	10,523			-
14		Lid Depreciation	246	1,257	330	1,833			-
15		Cart Depreciation	16,607	14,176	25,296	56,079			-
16		Total Outreach - Label Depreciation	8,761	7,384	15,707	31,852	5.90%	2.88%	35,000
17		Total Outreach - Flyers & Publications	9,317	8,850	18,342	36,509	5.90%	2.88%	40,000
18		Total Compliance Costs	2,291	1,915	4,168	8,374	5.90%	2.88%	9,000
19		Total Other 1383 Costs	\$ 40,349	\$ 35,978	\$ 68,842	\$ 145,169			\$ 84,000
20									
21	Total Allowable Costs	196,886	115,021	307,522	619,429			601,000	
22									
23	Operating Profit	21,876	12,780	30,414	68,825			66,778	
24	Operating Ratio %	90.0%	90.0%	90.0%	90.0%			90.0%	
25									
26	Total Allowable Costs + Profit	218,762	127,801	337,937	688,255			667,778	
27									
28	Non-Allowable Costs	Additional Residential Truck(s)	269,352	134,676	404,027	808,055	5.90%	2.88%	880,000
29		Additional Commercial Truck(s)	2,630	2,630	10,518	15,778	5.90%	2.88%	17,000
30		Total Trucks	271,981	137,305	414,546	823,833			897,000
31									
32		Cost of Recycling	43,043	38,591	52,436	134,069	1.59%	3.66%	141,000
33		1383 Post Collection	28,144	25,232	34,285	87,661	1.59%	3.66%	92,000
34	SEG - Mechanic Shop @ RCTS	4,967	4,453	6,050	15,470	1.59%	3.66%	16,000	
35	Phase 2 - Organics Building & Infrastructure	31,455	28,201	38,318	97,974	1.59%	3.66%	103,000	
36	Total Tip Fee Increase	107,608	96,476	131,089	335,173			352,000	
37									
38	Total Non-Allowable Costs	379,589	233,782	545,635	1,159,005			1,249,000	
39									
40	Total Costs + Profit	598,351	361,583	883,571	1,847,260			1,916,778	
41									
42	Contra Costa County Franchise Fee @ 7%	\$ 45,037	\$ 27,216	\$ 66,505	\$ 139,041			\$ 144,274	
43									
44	Total Costs + Profits + Franchise Fees	643,388	388,799	950,077	1,986,301			2,061,051	
45									
46	minus 2019 Base Rate - Recycling Calculations	(70,072)	(71,198)	(105,487)	(246,757)	no adjustment		(246,757)	
47									
48	Total Additional Revenue	573,316	317,601	844,590	1,739,544			1,814,294	
49									
50	Total Revenue Based on CPI	\$ 81,487	\$ 82,796	\$ 122,670	\$ 286,953	take out		\$ -	
51									
52	Total Revenue Request	654,803	400,396	967,260	2,026,497			1,814,294	
53									
54	Rate Increases	Commercial & Residential Increase before CPI Adj.	23.07%	23.07%	23.07%	23.07%			22.05%
55		2021 CPI Increase	3.81%	3.81%	3.81%	3.81%	take out		0.00%
56			3.81%	3.81%	3.81%	3.81%			
57									
58	Total Residential & Commercial Increase	26.88%	26.88%	26.88%	26.88%			22.05%	
59									

Attachment B: Initial SB 1383 Rate Application (2022)

Attachment B includes a 2022 application submitted by MDRR to the County. In this application, MDRR proposed to increase unincorporated County collection rates by 26.88 percent in 2024. MDRR used year-to-date information to estimate 2021 financial results. Year 2022 results were entirely projected in the Application. MDRR requested a 26.88 percent rate increase effective for 2022, inclusive of a 23.07 percent increase for SB 1383 requirements and a 3.81 percent CPI increase. The Application cited the following primary drivers for the rate increase request:

- Capital costs for SB 1383 requirements – kitchen pails, replacement of commercial bin lids, new carts, container labels, customer outreach, and regulatory compliance - \$910,598 (\$178,133 annual costs)
- An increase of three (3) additional residential drivers and trucks which is needed to shift from bi-weekly to weekly organics collection
- Tipping fee increase at the CCWS/RCTS facility of \$16.25 per ton to cover the following facility changes: 1) changes to recycling operations at MDRR, 2) SB 1383 post collection processing costs, and 3) new related buildings and infrastructure.



September 13, 2021

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

VIA EMAIL

Re: 2021 INCREMENTAL RATE APPLICATION SUBMITTAL

Dear David,

Enclosed, please find our 2021 incremental rate application for additional requested services and enhancements to the current Franchise Agreement between Contra Costa County and Garaventa Enterprises, Inc., dba Mt. Diablo Resource Recovery – Contra Costa County (“MDRR”).

As you know, our last comprehensive Base Rate review occurred in 2020 and did not include the cost of SB1383 compliance. Therefore, this application mainly focuses on the incremental costs associated with the “State Mandates” of SB1383 implementation and compliance for collection and post-collection related services and activities and additional services requested via email from the County dated July 29th, 2021. These new services are slated to start rolling out in 2022 for commercial customers & in 2023 for residential customers.

In addition, this application also reflects 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 2020 Base Year Adjustment pertaining to the China National Sword. Currently, the cost to process the recyclables for the County is \$246,757. A proposed gate rate increase at RCTS in Pittsburg is being considered by the City Council on September 20th and would become effective January 1st, 2022. If this proposed increase at RCTS is approved, the cost to process recyclables for the County will shift into our post-collection operations. It would then be passed back down into the collection rates at a projected cost of approximately \$144,160. As you will see in the application, this will be a cost-saving to the ratepayers of roughly \$102,597.

Breakdown of Components Contributing to the Incremental Rate Increase:

1) SB1383 Summary:

SB1383 requirements and related costs for compliance				
	Treatment	Cost	Period	Other
Kitchen Pails (Residential)	CAPEX	\$ 105,230	2023	One Time
Replacement of Commercial Bin Lids (color coded)	CAPEX	\$ 14,295	2022	One Time
New Carts	CAPEX	\$ 520,051	2022-2032	10 yr. rollout
Container Labels	CAPEX	\$ 271,022	2022-2032	One Time
Customer Outreach - Flyers & Publications	ANNUAL	\$ 169,759	2022-2023	2-year spread
Regulatory Compliance - Lid Flipping & Education	ANNUAL	\$ 8,374	Continuous	
SB1383 CAPEX	CAPEX	\$910,598		
SB1383 Compliance Costs	Annual/Recur	\$178,133		

The costs associated with SB1383, as summarized above, were derived from the requirements as outlined in the State Regulations and then explicitly applied to the services MDRR provides in our County service area. Some of the above items typically do not qualify under Generally Accepted Accounting Principles (GAAP) as capitalize-able costs. Our outside CPA Auditors have given MDRR the endorsement that the accounting treatment for pails, lids & labels should be capitalized. This results in a rate softening for our customers for these items.

A large portion of this requested increase relates to the three (3) additional residential drivers & trucks, which will be needed to facilitate the collection of organics going from a bi-weekly schedule to a weekly schedule. We have broken out the additional routes by what we consider to be the three main County service areas of Brentwood, Bay Point & Discovery Bay, and our operations team has provided the following narrative:

In Brentwood, we currently have 1 driver and 1 truck servicing green waste, 5 days a week every other week. On the off week this driver services the recycling in Brentwood that is also picked up bi-weekly. Shifting to weekly organics collection will necessitate 1 driver and 1 truck servicing organics, 5 days a week, every week. This will account for an additional driver and truck.

In Bay Point, we currently have 2 drivers and 2 trucks servicing green waste Monday and Tuesday, every other week. On the off week, these 2 drivers service the recycling in Bay Point which is also currently picked up bi-weekly. Shifting to weekly organics collection, will necessitate 2 drivers and 2 trucks servicing organics on Monday and Tuesday every week. The 2 additional drivers and trucks from Bay Point will also cover the organics for Discovery Bay on Thursday and Friday. Wednesday is currently left open for growth, re-routing, cart deliveries, maintenance and servicing in Bay Point and Discovery Bay.

With regards to additional commercial routes, this application includes one additional route (one truck and driver) for our entire East County service area. The County has an allocation of 6% of this total cost.

2) CCWS / RCTS Tip Fee Increase (approval pending):

CCWS Tipping Fee	All CCWS Tonnage including Public Gate Cost/Ton
CCWS Projected Tip Fee Increase	
Recycling Operations @ MDR (would replace current method)	\$ 6.50
SB1383 Post Collection Processing	\$ 4.25
SB1383 Related Buildings & Infrastructure @ MDRRP	\$ 5.50
Total increase in CCWS Tip Fee/Ton (3-yr phase-in)	\$ 16.25

CCWS / RCTS processes all MSW, Green Waste, and Recyclables for the County service area. Further SB1383 compliance at RCTS will necessitate a tip fee adjustment as outlined above for facility upgrades, including an enclosed building for organics. This CCWS gate rate adjustment will go to the Pittsburg City Council for final consideration on September 20th. If approved, the proposed increase is anticipated to be phased in over three years, starting in January 2022.

Conclusion and Incremental Rate Application

The incremental costs associated with SB1383 implementation and compliance for collection and post-collection related services and activities have resulted in a total proposed incremental rate increase of 26.88%.

Included in the Excel files, you will find a model representing a three-year phase-in period, including a projected customary annual CPI increase of 3.81% in each applicable year. The phase-in model also includes projected residential customer rates for each period.

MDRR Rate Adjustment Phase-In Option	
	Annual Rate Increase
Single Year Rate Adjustment (one & done)	26.88%
3-year Annual Phase-In (per year)	8.96%

Ms. Deidra Dingman
March 11, 2024

Page 20

As the MDRR Team realizes and is sensitive to the type of impact this significant level rate increase has on our customers, we are therefore proposing the three-year phase-in option for your consideration and to soften the impact to our ratepayers.

For your review, we have included a series of worksheets & analysis which outlines how we arrived at the amounts requested which support this incremental rate application.

Please see the incremental rate application (Attachment 1) and supporting Excel schedules, which have been prepared in accordance with our Franchise Agreement and the approved Rate Setting Process and Methodology Manual.

Please let our team know if any additional information is needed to consider and process this request. We appreciate the time you have spent with our team and look forward to further discussing this application at the earliest opportunity. Please do not hesitate to contact either myself, Kish Rajan, or Salvatore Evola should you have any questions or need additional information.

Best Regards,



Patrick Dolim
Chief Financial Officer

CC: Deidra Dingman – DCD, Contra Costa County
Ronald J. Proto – CEO, Garaventa Enterprises, Inc.
Kish Rajan – CAO, Garaventa Enterprises, Inc.
Gary Lazdowski – COO, Garaventa Enterprises, Inc.

Attachments:

- 1) 2021 Rate Application (1 page)
- 2) Four (4) Separate Supporting Excel Files (via email)

	C	D	E	F	G	H	I	J	K
1	Contra Costa County								
2	2021 Commercial and Residential Rate Increases								
3	Includes 1383 Costs								
4	MDRR - County Rate Increase								
5			Bay Point	Brentwood	Discovery Bay	Total			
6									
7	Residential Service		1,393,538	1,169,292	2,879,424		5,442,255		
8	Commercial Service		361,939	793,196	291,976		1,447,111		
9	Debris Box		385,476	212,848	51,590		649,914		
10	Total Commercial Revenue		\$ 747,416	\$ 1,006,044	\$ 343,565		\$ 2,097,025		
11	Total Revenue		\$ 2,140,954	\$ 2,175,336	\$ 3,222,989		\$ 7,539,280		
12									
13									
14	Additional Residential Drivers		154,987	77,493	232,480		464,961		
15	Additional Commercial Drivers		1,550	1,550	6,200		9,299		
16	Additional Drivers		156,537	79,043	238,680		474,260		
17	Pail Depreciation		3,129	2,395	4,999		10,523		
18	Lid Depreciation		246	1,257	330		1,833		
19	Cart Depreciation		16,607	14,176	25,296		56,079		
20	Total Outreach - Label Depreciation		8,761	7,384	15,707		31,852		
21	Total Outreach - Flyers & Publications		9,317	8,850	18,342		36,509		
22	Total Compliance Costs		2,291	1,915	4,168		8,374		
23	Total Other 1383 Costs		\$ 40,349	\$ 35,978	\$ 68,842		\$ 145,169		
24	Total Allowable Costs		196,886	115,021	307,522		619,429		
25	Operating Profit		21,876	12,780	30,414		68,825		
26	Operating Ratio %		90.0%	90.0%	90.0%		90.0%		
27	Total Allowable Costs + Profit		218,762	127,801	337,937		688,255		
28									
29	Additional Residential Truck(s)		269,352	134,676	404,027		808,055		
30	Additional Commercial Truck(s)		2,630	2,630	10,518		15,778		
31	Total Trucks		271,981	137,305	414,546		823,833		
32	Cost of Recycling		43,043	38,591	52,436		134,069		
33	1383 Post Collection		28,144	25,232	34,285		87,661		
34	SEG - Mechanic Shop @ RCTS		4,967	4,453	6,050		15,470		
35	Phase 2 - Organics Building & Infrastructure		31,455	28,201	38,318		97,974		
36	Total Tip Fee Increase		107,608	96,476	131,089		335,173		
37	Total Non-Allowable Costs		379,589	233,782	545,635		1,159,005		
38	Total Costs + Profit		598,351	361,583	883,571		1,847,260		
39	Contra Costa County Franchise Fee @ 7%		\$ 45,037	\$ 27,216	\$ 66,505		\$ 139,041		
40	Total Costs + Profits + Franchise Fees		643,388	388,799	950,077		1,986,301		
41	minus 2019 Base Rate - Recycling Calculations		(70,072)	(71,198)	(105,487)		(246,757)		
42	Total Additional Revenue		573,316	317,601	844,590		1,739,544		
43	Total Revenue Based on CPI		\$ 81,487	\$ 82,796	\$ 122,670		\$ 286,953		
44	Total Revenue Request		654,803	400,396	967,260		2,026,497		
45	Commercial & Residential Increase before CPI Adj.		23.07%	23.07%	23.07%		23.07%		
46	2021 CPI Increase		3.81%	3.81%	3.81%		3.81%		
47	Total Residential & Commercial Increase		26.88%	26.88%	26.88%		26.88%		
48									
49									
50									
51									
52									
53									
54									
55									
56									
57									
58									
59									
60									
61									
62									
63									
64									
65									
66									

Attachment C: Adjusted SB1383 Rate Model

	Line	Total MDRR Application	Total Adjustments	Total Adusted	
2021 Revenue	Residential Service	1	\$ 5,894,000	\$ 408,987	\$ 6,302,987
	Commercial Service	2	1,631,000	150,140	1,781,140
	Debris Box	3	704,000	(131,758)	572,242
	Total Commercial Revenue	4	\$ 2,335,000	\$ 18,382	\$ 2,353,382
	Total Revenue	5	\$ 8,229,000	\$ 427,369	\$ 8,656,369
Allowable Costs	Additional Residential Drivers	6	\$ 507,000	\$ (84,855)	\$ 422,145
	Additional Commercial Drivers	7	10,000	132	10,132
	Additional Drivers	8	517,000	(84,723)	432,277
	Pail Depreciation	9	\$ -	\$ -	\$ -
	Lid Depreciation	10	-	-	-
	Cart Deprecation	11	-	-	-
	Total Outreach - Label Depreciation	12	35,000	(297)	34,703
	Total Outreach - Flyers & Publications	13	40,000	(224)	39,776
	Total Compliance Costs	14	9,000	124	9,124
	Total Other 1383 Costs	15	\$ 84,000	\$ (397)	\$ 83,603
	Total Allowable Costs	16	\$ 601,000	\$ (85,120)	\$ 515,880
	Operating Profit	17	66,778	(9,458)	57,320
	Operating Ratio %	18	90.0%	0.0%	90.0%
Total Allowable Costs + Profit	19	\$ 667,778	\$ (94,578)	\$ 573,200	
Pass-Through Costs	Additional Residential Truck(s)	20	\$ 880,000	\$ (293,083)	\$ 586,917
	Additional Commercial Truck(s)	21	17,000	190	17,190
	Total Trucks	22	\$ 897,000	\$ (292,893)	\$ 604,107
	Cost of Recycling	23	\$ 141,000	\$ (38,226)	\$ 102,774
	1383 Post Collection	24	92,000	(23,484)	68,516
	SEG - Mechanic Shop @ RCTS	25	16,000	(3,000)	13,000
	Phase 2 - Organics Building & Infrastructure	26	103,000	(26,000)	77,000
	Total Tip Fee Increase	27	\$ 352,000	\$ (90,710)	\$ 261,290
Total Pass Through Costs	28	\$ 1,249,000	\$ (383,603)	\$ 865,397	
Other Adjustments	Total Costs + Profit	29	\$ 1,916,778	\$ (478,181)	\$ 1,438,597
	Contra Costa County Franchise Fee @ 7%	30	\$ 144,274	\$ (35,992)	\$ 108,281
	Total Costs + Profits + Franchise Fees	31	\$ 2,061,051	\$ (514,173)	\$ 1,546,878
	Minus 2019 Base Rate - Recycling Calculations	32	(246,757)	-	(246,757)
	Total Additional Revenue	33	\$ 1,814,294	\$ (514,173)	\$ 1,300,121
	Total Revenue Based on CPI	34	\$ -	\$ -	\$ -
	Total Additional Revenue Requirement with CPI	35	\$ 1,814,294	\$ (514,173)	\$ 1,300,121
Rate Increases	Commercial & Residential Increase before CPI Ad	36	22.05%	-7.03%	15.02%
	2021 CPI Increase	37	0.00%	0.00%	0.00%
		38	0.00%	0.00%	0.00%
	Total Residential & Commercial Increase (Scenario 1)	39	22.05%	-7.03%	15.02%

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

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 below¹⁰:

- 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.

¹⁰ 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.