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February 8, 2021

Mr. Dave Staub  
Deputy Director of Public Works  
City of Santa Clara Public Works Department  
1700 Walsh Avenue  
Santa Clara, CA 95050

**Subject: Solid Waste Rate Study for Fiscal Year 21/22**

Dear Mr. Staub:

R3 Consulting Group, Inc. (R3) is engaged by the City of Santa Clara (City) to conduct a solid waste rate study (Rate Study) for solid waste rates to be effective July 1, 2021. This report describes the methodology used for preparing the Rate Study and presents solid waste rates which will meet the projected costs of the City's solid waste services for the coming for fiscal year (FY) 21/22.

R3 has been actively engaged as the City's solid waste contracting and rate consultant since December 2018 and assisted the City in successfully completing contract negotiations and cost projections for three of its largest four solid waste contracts: Mission Trail Waste Systems (MTWS), Recology South Bay (Recology), and GreenWaste Recovery (GWR). Costs for services provided by these three service providers, as well as costs for landfilling and composting services for Republic Services at the Newby Island Landfill and Recyclery (Newby) comprise 80% of the City's costs for solid waste services. The remaining 20% includes other costs necessary to deliver the Solid Waste Program for Santa Clara residents.

## Summary

Draft FY 21/22 solid waste rates have been calculated to meet the anticipated increased costs for solid waste services resulting from new operating contracts and services with MTWS, Recology, GWR and Republic Services (Republic). The purpose of the Rate Study was to analyze all costs and expenditures and develop a plan for distributing costs equitably amongst all the service options. The analysis included reviewing the various components of the City rates which include garbage, recycling, yard waste, and the clean-up campaign. The majority of bundled rates for residential cart customers are projected to increase between 11.2% to 13.9% (depending on subscription type) and the 20-gallon cart is projected to increase between 18.1% to 21.8%. This was anticipated because prior to the Rate Study staff already knew that the existing 20-gallon rate was most likely not equitable. Projected rates for FY 21/22 are less than previously shared with the City Council in 2019 and 2020. Please note that all per ton rates are rounded to the nearest whole dollar and all payments to contractors are rounded to the nearest hundred dollars. Budgeted City expenses are shown to the nearest dollar for consistency with the City's draft budget process currently underway.

Overall, while the projected FY 21/22 solid waste rates will be sufficient to meet the City's costs for providing solid waste services. Further increases in solid waste rates should be expected in FY 22/23 and FY 23/24, in accordance with approved increases in compensation to MTWS and Recology, other program adjustments, and general cost-of-living adjustments.

Based on current assumptions, overall solid waste rates will need to increase by approximately 7.3% in FY 22/23, approximately 4.2% in FY 23/24, and by approximately 5.2% in FY 24/25. However, it should be noted that projections for future years past FY 21/22 are subject to change as they include assumptions regarding garbage processing residual, annual tonnages, subscription levels, and rates of escalation per contracts with MTWS, GWR, Recology and Republic. Additionally, the overall projected changes in rate revenues for future years as described above does not necessarily apply equally to cart and bin customers, and there may be further variations in increases for those customers in future years. Future Rate Study updates will model the impacts of resultant cost changes effective in those years once more information is known.

R3's calculations of the City's FY 21/22 residential solid waste rates (Table 1, below) are below prior projections, are based on the Council-approved contracts with the City's solid waste service providers and the City's draft FY 21/22 solid waste budgets and are further informed by a detailed review of the City's current solid waste rate revenues and expenses.

**Table 1: Summary of FY 21/22 Monthly Residential Solid Waste Rates**

<b>Cart Size</b>	<b>Garbage Collection</b>	<b>Recyclable Collection</b>	<b>Yard Trimming Collection</b>	<b>Clean-up Campaign</b>	<b>Total Bundled Rate</b>
Super Saver (20-gallon) Garbage Cart Charge	\$17.37	\$5.58	\$13.04	\$6.28	<b>\$42.27</b>
Small (32-gallon) Garbage Cart Charge	\$24.15	\$5.58	\$13.04	\$6.28	<b>\$49.05</b>
Medium (64-gallon) Garbage Cart Charge	\$44.91	\$5.58	\$13.04	\$6.28	<b>\$69.81</b>
Large (96-gallon) Garbage Cart Charge	\$65.59	\$5.58	\$13.04	\$6.28	<b>\$90.49</b>

## COVID-19 Impacts

The COVID-19 pandemic has impacted solid waste operations in the City, resulting in reduced bin subscriptions to solid waste services, reduced bin solid waste tonnages, and changes in residential solid waste tonnages. This Rate Study projects City solid waste expenses and revenues for FY 21/22 based on solid waste subscription levels and tonnages from July through November 2020, meaning that projections take into account current impacts resulting from COVID-19. While subscription levels and tonnages changed as a result of COVID-19 starting in March 2020, the City's subscription levels and tonnages have remained static and consistent in recent months. Based on these trends, R3 does not project changes in subscription levels and tonnages in FY 21/22.

Overall, 80% of the City's solid waste costs are contracted expenses with MTWS (for garbage and yard trimming collection), Recology (for recycling collection), GWR (for garbage and recyclables processing), and Republic (for garbage landfilling and yard trimming composting). These costs are variable and will increase or decrease in relative proportion to the increases or decreases in solid waste subscription levels, meaning that increases or decreases in subscription levels and revenues will trigger increases or decreases in 80% of the City's costs.

If solid waste subscription levels increase in the coming year compared to the baseline (July through November 2020) projections, solid waste rate revenues will increase based on the increase in subscription levels. Because solid waste rates are calculated based on the cost of services, increases in revenues from

increased subscription levels will enable to the City to cover increased costs for providing solid waste services. Additionally, because calculated 2021/22 rates are also set to cover the City's 20% fixed costs (see discussion on City Programs, below), increases in subscription levels will result in surplus revenues above fixed costs. Surplus revenues would be deposited in the solid waste rate stabilization reserve fund and would be available to offset rates in the future.

Likewise, if solid waste subscription levels decrease below current trends, then revenues will generally decrease commensurate with decreases in City's costs. However, decreases in subscription levels would also limit the City's ability to cover its 20% fixed costs, and the City would need to draw on the solid waste rate stabilization fund to make up the difference between needed rate revenues for fixed costs, and actual rate revenues received after paying MTWS, Recology, GWR and Republic. The City has existing rate stabilization reserve funds that would be used to pay a revenue shortfall resulting from further decreases in solid waste subscriptions, should that become necessary. Further decreases in subscription levels below current trends are unlikely, given the relative stability of subscription levels during recent months of the pandemic.

## City Program Costs Detail

In addition to funding the City's solid waste costs with MTWS, Recology, GWR and Republic, the City's solid waste rates also fund the City's solid waste programs. These programmatic costs include operating supplies, utilities, conferences and trainings, contractual services, staffing costs, street sweeping, franchise fees, transfers to other funds, and the City's Cost-Allocation-Plan (CAP). City Program costs are allocated to garbage rates, recycling rates, yard trimming rates, and clean-up campaign rates based on the City's budgets.

Budgeted amounts for the City's program costs for recycling, yard trimmings and the clean-up campaign are included in their entirety for those specific rate elements, while budgeted amounts for the City's program costs for garbage are allocated between cart and bin customers based on the following allocations.

- Street Sweeping – 72% carts and 28% bins, based on proportion of street sweeping miles for 2019 through mid-2020.
- Leaf-Vac and Christmas Tree Campaigns and Household Hazardous Waste (HHW) – 59% carts and 41% bins, based on California Department of Finance's 2020 figures for the number of Santa Clara housing units that are under 5 units vs. 5 units and over.
- Administrative and Internal Costs and Management and Billing Costs – 49% carts and 51% bins based on the weighted average of:
  - Number of accounts (93% carts vs. 7% bins) – 20% weighting.
  - Weekly cubic yardage of garbage (36% carts vs. 64% bins – 20% weighting.
  - Projected annual garbage revenues (39% carts vs. 61% bins) – 60% weighting.
- Franchise Fees – 39% carts and 61% bins, based on projected annual garbage revenues.
- Landfill Post-Closure Maintenance Costs – 36% carts and 64% bins, based on weekly cubic yardage of garbage.
- Household Hazardous Waste (HHW) – 59% carts and 41% bins, based on the housing unit split between single-family dwelling homes and multi-family dwelling homes.

Projected FY 21/22 City program costs for garbage based on the above allocations are shown below. Note that prior draft allocations for FY 20/21 were based on assumptions regarding residential and commercial accounts, and thus are not directly comparable to the results of this analysis. For the purposes of this Rate Study, allocations of costs are made with available information of cart accounts vs. bin accounts.

**Table 2: Allocations of City Program Costs for Garbage Rates**

Category	Cart Allocation	Bin Allocation	Total
Street Sweeping	\$697,767	\$271,354	\$969,121
Leaf-Vac and Trees	\$110,920	\$77,080	\$188,000
Admin and Internal	\$901,739	\$933,425	\$1,835,164
Management and Billing	\$701,216	\$725,856	\$1,427,072
Franchise Fees	\$275,734	\$431,738	\$707,472
Landfill Post-Closure	\$162,473	\$287,527	\$450,000
HHW	\$28,788	\$20,006	\$48,794
<b>Total</b>	<b>\$2,878,642</b>	<b>\$2,746,981</b>	<b>\$5,625,623</b>

## Rate Study Methodology and Findings

In the course of completing the Rate Study, R3 reviewed several years of financial information, including the City's revenues and costs for solid waste services, agreed on compensation to the City's solid waste contractors per agreements, solid waste tonnages, and City budgets.

### Garbage Bin Rates

#### Garbage Bin MTWS Costs

MTWS provides collection of garbage bins in the City. Projected FY 21/22 costs for garbage bin collection were developed based on City's payment to MTWS's in October and November 2020 (at current subscription levels), multiplied by the 9% contractually owed escalation in MTWS's per unit compensation effective July 1, 2021. This amount is estimated to be **\$6,719,600** in FY 21/22.

#### Garbage Bin Allocated City Costs

Projected City program costs attributed to garbage bins are **\$2,746,981** as show in Table 2.

#### Garbage Bin Processing Costs

Starting January 1, 2021, all garbage collected in the City will be processed via contract with GWR to recover organics and recyclables. Costs for processing of garbage collected in bins are based on a volume-based allocation of garbage tonnage. For the period July through October 2020, there were approximately 3,550 tons of garbage generated by City customer per month, of which 65% by volume are attributed to the garbage bins.

Based on this allocation, R3 projects 27,100 tons of garbage collected in bins in FY 21/22. Taking this amount multiplied by the projected FY 21/22 tip GWR tip fee of \$184 per ton (which is projected at a 4%

increase in the initial contract rate of \$177 per ton for bin waste) yields an annual cost of garbage bin processing of **\$4,986,400**.

### **Garbage Bin Residual Disposal Costs**

Non-recoverable residual materials remaining after GWR processing of garbage will be continued directed to Republic's Newby Island Landfill (Newby) through December 31, 2024. At present, it is assumed that 50% of the 27,100 tons of garbage collected in bins will remain as residual after processing by GWR; however, it should be noted that this residual percentage is an estimate based on prior discussions and contract negotiations with GWR.

The actual residual percentages for the City's garbage streams (both bin and cart streams) will be verified in 2021 (and annually thereafter) via audits that will seek to determine actual amounts of residual for the City's garbage streams. Results from the first of such audits is anticipated by mid-2021 and may be used to refine projections for FY 21/22 and future years once City-specific residual information becomes available. If the residual percentage is lower than 50%, the costs of residual disposal at Newby will be less than projected (assuming the same 27,100 tons of inbound bin garbage to GWR); if the residual percentage is higher than 50%, costs to Newby will more than projected.

At the 50% residual estimate, residual tonnage from bins to Newby is estimated to be 13,550 in FY 21/22. The projected per ton rate for disposal at Newby is \$53, an assumed 4% escalation over the current rate of \$50.65. Based on these figures, projected disposal of bin residual is **\$718,200**.

### **Garbage Bin Total Projected Costs**

Projected total costs for garbage bins in FY 21/22 is the sum of MTWS costs (\$6,719,600), allocated City costs (\$2,746,981), GWR processing costs (\$4,986,400), and Newby residual disposal costs (\$718,200), yielding **\$15,171,181** in projected total revenue need in FY 21/22.

### **Garbage Bin Rate Adjustment**

Projected annual garbage bin revenues at current rates (effective February 2021) and current subscription levels (November 2020) are projected at **\$11,961,015**. This figure represents the revenues that the City could expect to collect in FY 21/22 if no adjustments to garbage bin rates were made and is \$3,210,351 less than the total projected cost of \$15,171,015.

In order to meet the projected cost of service for FY 21/22, the City's garbage bin rate revenues need to increase by \$3,210,166. Garbage bin rates were developed with components to meet this increased revenue need. As described below:

- MTWS Tariff – (less the 10% Billing and Franchise Fee due to the City).
- Processing and Disposal Costs – Bin rates are based on the annual processing and disposal cost per cubic yard.
- City Program Costs – Bin rates are based on a split between a costs per lift (33.2% split) and a volumetric cost per cubic yard (66.8% split), with the split being based on the proportion of those City Program costs that are generally fixed vs. those that are variable with changes in volume, subscription level, and other variable factors.

The following table show the components that make up the 2021/22 rates:

**Table 3: Bin Rate Components**

	<b>MTWS Tariff FY</b> (Less 10% Billing and Franchise Fee)	<b>Processing and Disposal</b> (Volumetric)	<b>City Program Costs</b> (Lift Rate and Volumetric)	<b>Total Garbage Rate</b>
1 Cubic Yard 1/week	\$61.59	\$48.88	\$39.46	<b>\$149.93</b>
3 Cubic Yards 1/week	\$171.47	\$146.64	\$70.91	<b>\$389.02</b>

## Garbage Cart Rates

### Garbage Cart MTWS Costs

MTWS provides collection of garbage carts in the City. Projected FY 21/22 costs for garbage cart collection were developed based on City's payment to MTWS's in October and November 2020 (at current subscription levels), multiplied by the 9% contractually owed escalation in MTWS's per unit compensation effective July 1, 2021. This amount is estimated to be \$3,714,300 in FY 21/22.

### Garbage Cart Allocated City Costs

Projected City program costs attributed to garbage cart are **\$2,878,642** as show in Table 2.

### Garbage Cart Processing Costs

Starting January 1, 2021, all garbage collected in the City will be processed via contract with GWR to recover organics and recyclables. Costs for processing of garbage collected in cart are based on a volume-based allocation of garbage tonnage. For the period July through October 2020, there were approximately 3,550 tons of garbage generated by City customer per month, of which 35% by volume are attributed to garbage carts. This material will be directed to the processed garbage stream effective January 1, 2021.

Based on this allocation, R3 projects 15,600 tons of garbage collected in cart in FY 21/22. Taking this amount multiplied by the projected FY 21/22 tip GWR tip fee of \$172 per ton (which is projected at a 4% increase in the initial contract rate of \$165 per ton for cart waste) yields a projected annual cost of garbage cart processing of **\$2,683,200**.

### Garbage Cart Residual Disposal Costs

Non-recoverable residual materials remaining after GWR processing of garbage will continue to be directed to Republic's Newby through December 31, 2024. At present, it is assumed that 50% of the 15,600 tons of garbage collected in cart will remain as residual after processing by GWR; however, it should be noted that this residual percentage is an estimate based on prior discussions and contract negotiations with GWR.

The actual residual percentages for the City's garbage streams (both bin and cart streams) will be verified in 2021 (and annually thereafter) via audits that will seek to determine actual amounts of residual for the City's garbage streams. Results from the first of such audits is anticipated by mid-2021 and may be used to refine projections for FY 21/22 and future years once City-specific residual information becomes available. If the residual percentage is lower than 50%, the costs of residual disposal at Newby will be less than projected (assuming the same 15,600 tons of inbound cart garbage to GWR); if the residual percentage is higher than 50%, costs to Newby will more than projected.

At the 50% residual estimate, residual tonnage from carts to Newby is estimated to be 7,800 in FY 21/22. The projected per ton rate for disposal at Newby is \$53, an assumed 4% escalation over the current rate of \$50.65. Based on these figures, projected disposal of garbage cart residual is **\$413,400**.

### **Garbage Cart Total Projected Costs**

Projected total costs for garbage carts in FY 21/22 is the sum of MTWS costs (\$3,714,300), allocated City costs (\$2,878,642), GWR processing costs (\$2,683,200), and Newby residual disposal costs (\$413,400), yielding **\$9,689,542** in projected total revenue need in FY 21/22.

### **Garbage Cart Rate Adjustment**

Projected annual garbage cart revenues at current rates (effective February 2021) and current subscription levels (November 2020) are projected at **\$8,262,568**. This figure represents the revenues that the City could expect to collect in FY 21/22 if no adjustments to garbage cart rates were made and is less than the total projected cost of \$9,689,542.

In order to meet the projected cost of service for FY 21/22, the City's garbage cart rate revenues need to increase by \$1,426,974. Garbage cart rates were developed with components to meet this increased revenue need. As described below:

- MTWS Tariff – (less the 10% Billing and Franchise Fee due to the City).
- Processing and Disposal Costs – Cart rates are based on the annual processing and disposal cost per cubic yard.
- City Program Costs – Cart rates are based on a split between a costs per lift (33.2% split) and a volumetric cost per gallon (66.8% split) as described in the prior section.

Table 4, on the following page, shows the components that make up the 2021/22 rates:

**Table 4: Residential and Commercial Cart Rate Components**

<b>Cart Size</b>	<b>MTWS Tariff FY (Less 10% Billing and Franchise Fee)</b>	<b>Processing and Disposal (Volumetric)</b>	<b>City Program Costs (Lift Rate and Volumetric)</b>	<b>Total Garbage Rate</b>
<b>Residential</b>				
20 Gallon	\$6.65	\$4.65	\$6.07	<b>\$17.37</b>
32 Gallon	\$8.91	\$7.44	\$7.80	<b>\$24.15</b>
64 Gallon	\$17.61	\$14.88	\$12.42	<b>\$44.91</b>
96 Gallon	\$26.23	\$22.32	\$17.04	<b>\$65.59</b>
<b>Commercial (Once Weekly Collection)</b>				
32 Gallon	\$9.25	\$7.44	\$7.80	<b>\$24.49</b>
64 Gallon	\$18.29	\$14.88	\$12.42	<b>\$45.59</b>
96 Gallon	\$27.32	\$22.32	\$17.04	<b>\$66.68</b>

## Recycling Rates

### Recology Recycling Costs

Recology provides collection of residential recyclables in the City,<sup>1</sup> with the City charging customers for this service and paying Recology contractually owed compensation. Recology's compensation set per contract is **\$3,194,000** for FY 21/22 and includes the cost of recyclables processing through December 31, 2021. This is a set amount per contract and is inclusive of all of Recology's services.

### City Recycling Program Costs

The City incurs expenses related to the provision of recycling programs, primarily for staffing to manage the City's recycling programs. The City's initial FY 21/22 budget for these expenses is \$291,615, however the AB 939 Fee Revenues (\$250,000) and the CalRecycle Beverages Container Funds (\$30,000) reduce the City costs to **\$11,615**.

### Recyclables Processing Costs

Starting January 1, 2022, the City will become responsible for the cost of processing recyclable materials collected by Recology. Based on recent tonnage information provided by Recology to the City, R3 estimates annual recycling tonnages of approximately 8,200 tons, of which only half (4,100 tons) will be the responsibility for the City to pay in FY 21/22 (because the City's obligation will start mid-year). Over the prior 12 months, Recology's costs of processing the City's recyclables was \$23.15 per ton (which was included in the compensation paid to Recology).

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<sup>1</sup> Note that MTWS provides collection of commercial recyclables, but directly charges customers for that service via rates that are set based on MTWS's agreement (and as a result recycling expenses for commercial customers are not the responsibility of the City).



Because the cost of processing recyclables is tied to market conditions for the sale of recyclable commodities, and because markets can and do fluctuate, R3 conservatively projects that the per ton rate for recyclables processing starting January 1, 2022 may be a 25% increase over the recent \$23.15 per ton, for an estimated \$29 per ton. Multiplying the 4,100 tons of projected recyclable tons (for the latter half of FY 21/22) times \$29 per ton yields **\$118,900** in recyclables processing costs. There is no residual disposal cost associated with recycling tons.

### **Recycling Total Projected Costs**

Projected total costs for recycling in FY 21/22 are the sum of Recology costs (\$3,194,000), City costs (\$11,615), and processing costs (\$118,900), yielding **\$3,324,515** in projected total revenue need in FY 21/22.

### **Recycling Rate Adjustment**

Projected annual recycling revenues at current rates (effective February 2021) and current subscription levels (November 2020) are projected at **\$2,917,777**. This figure represents the revenues that the City could expect to collect in FY 21/22 if no adjustments to recycling rates were made and is less than the total projected cost of \$3,324,515.

In order to meet the projected cost of service for FY 21/22, the City's recycling rate revenues need to increase by \$406,738. Recycling rates were developed with components to meet this increased revenue need. As described below:

- Recology Collection – Cost paid to Recology for collection of recycling, divided by the projected number of billing units (496,627 including those units charged for multiple weekly lifts) divided by 12 months, yielding \$5.36 per unit per month.
- Processing Costs – Projected processing cost of \$118,900 divided by the number of billing units, divided by 12 months, yielding \$0.20 per month.
- City Program Costs – City expenses of \$11,615 divided by the number of billing units, divided by 12 months, yielding \$0.02 per month.
- Total Recycling Rate – Sum of the above, yielding **\$5.58** per unit-lift per month.

## **Yard Trimming Rates**

### **Yard Trimmings MTWS Costs**

MTWS provides collection of yard trimmings in the City. Projected FY 21/22 costs for yard trimmings collection were developed based on City's payment to MTWS's in October and November 2020 (at current subscription levels), multiplied by the 9% contractually owed escalation in MTWS's per unit compensation effective July 1, 2021. This amount is estimated to be **\$2,443,300** projected for FY 21/22.

### **City Yard Trimmings Program Costs**

The City incurs expenses related to the provision of yard programs. The City's initial FY 21/22 budget for these expenses is **\$40,110**.

### **Yard Trimmings Processing Costs**

Yard trimmings will continue to be directed to and composted at Newby (which has a composting facility) through December 31, 2024. Based on tonnage information from July through October 2020, it is estimated that there will be 10,900 of yard trimmings collected for composting in FY 21/22. The projected

per ton rate for disposal at Newby is \$44, an assumed 4% escalation over the current rate of \$42.09. Based on these figures, projected disposal of bin residual is **\$479,600**.

### **Yard Trimmings Total Projected Costs**

Projected total costs for yard trimmings in FY 21/22 are the sum of MTWS costs (\$2,443,300), City costs (\$40,110), and processing costs (\$479,600), yielding **\$2,963,010** in projected total revenue need in FY 21/22.

### **Yard Trimmings Rate Adjustment**

Projected yard trimmings revenues at current rates (effective February 2021) and current subscription levels (November 2020) are projected at **\$2,681,479**. This figure represents the revenues that the City could expect to collect in FY 21/22 if no adjustments to yard trimmings rates were made and is less than the total projected cost of \$2,963,010.

In order to meet the projected cost of service for FY 21/22, the City's yard trimmings rate revenues need to increase by \$281,531. Yard trimming rates were developed with components to meet this increased revenue need. As described below:

- MTWS Tariff – Less 10% paid to City for billing and franchise fees, \$10.75.
- Processing Costs – Projected processing cost of \$479,600 divided by the number of yard trimmings billing units (18,937), divided by 12 months, yielding \$2.11 per month.
- City Program Costs – City expenses of \$40,110 divided by the number of billing units, divided by 12 months, yielding \$0.18 per month.
- Total Recycling Rate – Sum of the above, yielding **\$13.04** per month.

## **Clean-up Campaign Rates**

### **MTWS Costs**

MTWS provided support to the City in conducting the annual Clean-up Campaign. It is estimated that the City's costs for MTWS's service in support of the Clean-up Campaign in FY 21/22 will be **\$570,000**, based on prior amounts paid and per unit compensation to MTWS set by contract.

### **City Costs**

The City incurs expenses related to the provision of the Clean-up Campaign, primarily for labor and overhead costs, trucking costs, staffing costs, equipment rental, and technical services for the campaign. The City's initial FY 21/22 budget for these expenses is **\$1,573,564**.

\$1,176,564 of these costs are directly related to the cost of collection and are therefore included in the summary of collection costs shown in the "Clean-up Campaign Rate Adjustment" section below along with the \$570,000 in MTWS collection costs shown above. The remaining \$397,000 are for City costs for administration, materials, service supplies, and general overhead.

### **Disposal Costs**

Clean-up Campaign materials will continue to be directed to Newby through December 31, 2024. Based on tonnage information from prior clean-up campaigns, it is estimated that there will be 6,000 tons of clean-up campaign materials in FY 21/22. The projected per ton rate for disposal at Newby is \$53, an

assumed 4% escalation over the current rate of \$50.65. Based on these figures, projected disposal of bin residual is **\$318,000**.

### **Clean-up Campaign Total Projected Costs**

Projected total costs for the Clean-up Campaign in FY 21/22 are the sum of MTWS costs (\$570,000), City costs (\$1,573,564), and disposal costs (\$318,000), yielding **\$2,461,564** in projected total revenue need in FY 21/22.

### **Clean-up Campaign Rate Adjustment**

Projected annual Clean-up Campaign revenues at current rates (effective February 2021) and current subscription levels (November 2020) are projected at **\$2,313,319**. This figure represents the revenues that the City could expect to collect in FY 21/22 if no adjustments to recycling rates were made and is less than the total projected cost of \$2,461,564.

In order to meet the projected cost of service for FY 21/22, the City's Clean-up Campaign rate revenues need to increase by \$148,245. The Clean-Up Campaign rate was developed with components to meet this increased revenue need. As described below:

- Collection – Based on sum of the payment to MTWS, the labor costs for collection crews loading trucks, and the Clean-Up Campaign trucking services (totaling \$1,746,564), divided by the number of Clean-up Campaign billing units (32,674), divided by 12 months, yielding \$4.46.
- Processing Costs – Based on the cost for paid to Republic for disposal at Newby Island (\$318,000), divided by the number of billing units, divided by 12 months, yielding \$0.81.
- Remaining City Program Costs – City expenses for administration, materials, service supplies, and general overhead (which are not otherwise included in Collection above and total to \$397,000) divided by the number of billing units, divided by 12 months, yielding \$1.01.
- Total Recycling Rate – Sum of the above, yielding \$6.28 per month.

## **Financial Rate Assistance Program Option**

The City currently has a Financial Rate Assistance Program which provides for a \$3 per month discount in monthly rates for eligible customers, and which is funded by reductions in MTWS compensation for those customers. If the City were to increase the discount to a total amount of \$10 per month, the annual additional costs to the City would be approximately \$33,000 per year. This is based on a total of 394 customers currently enrolled in the program, times an additional \$7 per month of funding (above the \$3 per month covered by MTWS), times twelve months.

## **Rate Study Limitations**

Projections included in this report are based on currently available information provided by the City and its contractors. There will naturally be variances between projections made herein and the City's actual expenses and revenues based on variations in subscription levels and tonnages. Additionally, variations in projections to actuals should be expected as this report includes assumptions regarding residual percentages, implementation of new "unit-lifts" recycling charges, and other factors. R3 recommends that the City continue to update this Rate Study annually as new information becomes available over the course of the next few years.

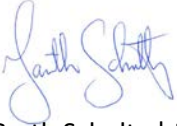
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R3 appreciates the opportunity to be of service to the City. Should you have any questions or need any additional information please contact me by phone at (510) 292-0853 or by email at [gschultz@r3cgi.com](mailto:gschultz@r3cgi.com).

Sincerely,

R3 CONSULTING GROUP



Garth Schultz | Principal