

# CITY OF DEL REY OAKS

650 CANYON DEL REY BLVD., DEL REY OAKS, CALIFORNIA 93940  
PHONE (831) 394-8511 FAX (831) 394-6421

## Staff Report

**DATE:** May 21, 2024

**TO:** Honorable Mayor and City Council

**FROM:** John Guertin, City Manager

**SUBJECT:** Adopt Resolution 2024-05 approving a 3.30 percent rate increase to charges by the City's franchised hauler, GreenWaste Recovery, for the collection of solid waste, recycling and organics, effective July 1, 2024.

**CEQA:** This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378 as it is an organizational activity of the City that will not result in direct or indirect physical changes in the environment.

### Recommendation

Adopt Resolution 2024-05 approving a 3.30 percent rate increase to charges by the City's franchised hauler, GreenWaste Recovery, for the collection of solid waste, recycling and organics, effective July 1, 2024.

### Background

On January 28, 2014, Council approved a Franchise Agreement (Agreement) with GreenWaste Recovery (GWR) for the collection of solid waste, recycling and organics, subsequent to a competitive Request for Proposals selection process. The Agreement became effective on July 1, 2015, and expires on June 30, 2030. The Agreement includes a prescribed formula to determine annual rate adjustments by GWR, effective each year on July 1. This index-based formula includes the cost of disposal and processing ("tipping fee") at the ReGen Monterey (formerly known as Monterey Regional Waste Management District) facility in Marina, inflationary indexes for adjustments to GWR labor and operating costs, regional implementation of SB 1383, and the City's Franchise Fee of 13%.

HF&H Consultants, LLC (HF&H) was retained by ReGen Monterey to review GWR's request for an adjustment to customer rates, effective July 1, 2024, attached. The rate review resulted in a 3.30% rate increase due to labor and material inflationary indices for the period reviewed.

## **Summary & Discussion**

While the Agreement requires the City Council to approve annual rate adjustments, the rate adjustment is based upon disposal fees and actual tonnage, inflationary indexes for GWR labor and operational costs, and cost for the City's Franchise Fee and other regulatory fees. City staff, in tandem with ReGen Monterey staff and HF&H, finds the rate calculation methodology to be consistent with the Agreement. Therefore, staff recommends Council approve Resolution 2024-05 and rate adjustment, which becomes effective on July 1, 2023, in accordance with the Agreement.

## **Fiscal Impacts**

The new collection rates reflect an increase of 3.30% and are included as Exhibit A to the Resolution. The 3.30% rate increase is due to labor and material inflationary indices for the period reviewed. The cost of SB 1383 implementation is also included in the fees.

The City's Franchise Fee for FY 2024/2025 will be approximately \$105,000.

## **ATTACHMENTS:**

- HF&H Consultants Memo
- Resolution 2024-05

Respectfully Submitted,

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John Guertin  
City Manager



590 Ygnacio Valley Road, Suite 105  
Walnut Creek, California 94596  
Telephone: 925/977-6950

Northern California  
Southern California  
[www.hfh-consultants.com](http://www.hfh-consultants.com)

May 2, 2024

John Guertin  
City Manager  
City of Del Rey Oaks

*Sent via E-mail*

**Subject: Review of GreenWaste Recovery's 2024-25 Rate Request – Draft Report**

Dear John Guertin:

HF&H Consultants, LLC (HF&H) was retained by the Monterey Regional Waste Management District (District) to assist with a review of GreenWaste Recovery's (GWR) request for an adjustment to customer rates, effective July 1, 2024, submitted to the City of Del Rey Oaks (City) on March 1, 2024. This report presents our findings and recommendations.

## EXECUTIVE SUMMARY

HF&H's review of GWR's Rate Period 10 (RP10) rate request to the City, and subsequent negotiations with GWR, resulted in the following outcomes:

- HF&H has determined a 3.30% increase as appropriate as a result of the following components:
  - 4.50% inflationary increase in labor-related costs
  - 3.50% inflationary increase in vehicle-related costs (excl. fuel)
  - Fuel rate held flat as set by the District
  - 3.5% inflationary increase in other costs
  - Depreciation held flat per the Agreement
  - 10.18% net processing costs increase due to an increase in tonnage
  - 1.25% increase in disposal costs due to an increase in per ton disposal rate, offset by a slight decrease in tonnage

Refer to **Figure 1** below for the impact to sample residential rates.

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**Figure 1 – Example Rate Impact of Adjustment**

<b>Del Rey Oaks Rate Adjustment</b>		
	<b>Current Rates (RP9)</b>	<b>RP10</b>
<b>Adjustment</b>		<b>3.30%</b>
<b>Residential 32- gallon rate</b>	\$ 32.60	\$ 33.68
<b>Residential 64- gallon rate</b>	\$ 35.97	\$ 37.16

## BACKGROUND

In 2012, the City, participating with other members of the District, issued a competitive request for proposals for collection services and entered into the new Agreement with GWR effective July 1, 2015. The Agreement provides for the following, related to the adjustment of rates:

- Rates are to be adjusted annually throughout the term of the Agreement using various inflationary indices, actual tonnage, and changes in the tipping fees at the District, unless either the City or GWR request a Cost Based Rate Adjustment (CBRA).
- The City and GWR may mutually agree upon alternative approaches to structuring rates without amendment to the Agreement (Section 8.2.D).
- During the CBRA review in Rate Period 5 (RP5), a number of issues surrounding the process for setting rates and the resulting rate relationships amongst sectors and materials were identified. As such, the City and GWR have negotiated an amendment to the prescribed methodology for the CBRA and index adjustments so as to not alter rate relationships between service sectors and material types.
- Through negotiations of the amendment, and as a result of the desire to maintain current rate relationships between sectors and service levels, the City and GWR have prescribed a uniform rate adjustment to be applied to all sectors.

## RATE CALCULATION REVIEW

### HF&H Scope of Work

HF&H performed this review of the rate request in accordance with Exhibit E1 (for the index-based rate adjustment). The procedures included:

1. Review of the rate request for completeness and compliance with the procedures contained in Exhibit E1 of the Agreement.

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2. Review for mathematical accuracy and logical consistency to determine that the rate request is mathematically correct, that the rows and columns of numbers add down and across as intended, and that the stated assumptions were, in fact, used. Also, to determine that the rate request is internally consistent and that any summary schedules agree to the supporting schedules and worksheets.
3. Verification of the inclusion of the franchise fee calculation in the adjustment.
4. Verification of contract compliance with regard to:
  - A. The indices used in the adjustment.
  - B. The tip fees reported for the disposal and processing components of the rates.
  - C. The use of quarterly-reported tonnage data and allocations among agencies. A detailed audit of tonnage and allocations of tonnage reported by GWR was not a part of this scope of work. HF&H discussed GWR's allocation methodology with them and the methodology appears reasonable and consistent with standard practices within the industry.
  - D. Any changes in governmental fees on the fee component of the rates; and, the accurate application of the resultant percentage changes in the various rate components to the rate schedule approved by the City through the Agreement.
  - E. The addition of anticipated costs related to identified program changes resulting from SB 1383.

## **Review of Rate Request**

### **Rate Period 10 Application**

HF&H reviewed the rate application for RP10. The results of the calculation of RP10 per methodology of Exhibit E1 of the amendment can be seen in **Figure 2** on the following page.

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**Figure 2 – City of Del Rey Oaks Application of Index-Based Adjustments to RP10**

	RP 9	Adjustment Factor	RP 10
<b>Annual Cost of Operations</b>			
Labor-Related Costs	\$ 61,152	1.045	\$ 63,904
Vehicle-Related Costs	\$ 13,080	1.035	\$ 13,537
Fuel Costs	\$ 9,684	1	\$ 9,684
Other Costs	\$ 81,324	1.035	\$ 84,170
Direct Depreciation	\$ 32,755	N.A.	\$ 32,755
Total Allocated Costs - Labor, Vehicle, Fuel & Other	\$ 81,482	1.035	\$ 84,334
Total Allocated Costs - Depreciation & Start-Up	\$ 8,391	N.A.	\$ 8,391
<b>Total Annual Cost of Operations</b>	<b>\$ 287,868</b>		<b>\$ 296,775</b>
<b>Profit</b>			
	\$ 34,493	OR=89.30	\$ 35,560
<b>Pass-Through Costs</b>			
Disposal Costs	\$ 53,899	Tons*Tip Fee	\$ 54,574
Curbside Supplemental	\$ (1,367)	1.00	\$ (1,367)
Recycling Processing Costs	\$ 10,151	Tons*Tip Fee	\$ 11,297
Residue Processing Costs	\$ 1,333	Tons*Tip Fee	\$ -
Yard Trimmings Processing Costs	\$ 13,616	Tons*Tip Fee	\$ 16,059
Food Waste Processing Costs	\$ 3,237	Tons*Tip Fee	\$ 3,866
C&D Processing Costs	\$ -	Tons*Tip Fee	\$ -
Interest Expense	\$ 9,862	N.A.	\$ 9,862
Direct Lease Costs	\$ -	N.A.	\$ -
Total Allocated Costs - Lease	\$ 7,536	N.A.	\$ 7,536
<b>Total Pass-Through Costs</b>	<b>\$ 98,267</b>	<b>N.A.</b>	<b>\$ 101,826</b>
<b>Total Costs before Agency Fees</b>			
	\$ 420,628	N.A.	\$ 434,161
<b>Agency Fees/Payments</b>			
Franchise Fee	\$ 107,250	20.00%	\$ 110,790
Rate Application Review Costs	\$ 9,000	Actual	\$ 9,000
<b>Other Adjustments (as needed from time to time)</b>			
Adjustments from MRWMD Tip Fee Estimates	\$ (627)	N.A.	
<b>Total Calculated Costs</b>	<b>\$ 536,250</b>		<b>\$ 553,952</b>

**Rate Increase**
**3.30%**

John Guertin  
May 2, 2024  
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### Review of GWR Costs

There are four major components to GWR's rate application: 1) calculation and application of the inflationary indexes as prescribed in the Agreement; 2) the disposal and processing component; 3) the Agency Fees; and, 4) other one-time adjustments.

There are three indexes used in the index adjustment: CPI, fuel index, and labor index. The annual percent change in each of the indices is used to calculate the coming year's projected cost for the line items to which these indexes are applied.

HF&H has reviewed and GWR has confirmed the accuracy of each of these indexes, and notes that the fuel index remains unchanged, as reported by management staff at the District.

### Review of Disposal and Processing Component

Calendar year 2023 collected tons were used for the RP10 review in accordance with the amendment. The disposal and processing components also consider the tipping fees charged by the District in order to project anticipated disposal and processing costs at the District. The following table describes the changes in the City's disposal and processing costs for each material type based on the tip fees at the District, which have been incorporated into our RP10 review.

**Figure 3 - Impact of District Tip Fee Changes**

Material	2023 Tons	Current Per Ton Tip Fee	Rate Period 10 Costs
	A	B	A x B
Solid Waste	709	\$ 77.00	\$ 54,574
Recycling	282	\$ 40.00	\$ 11,297
Yard Trimmings	342	\$ 47.00	\$ 16,059
Food Waste	60	\$ 64.00	\$ 3,866
C&D*	-	\$ 77.00	\$ -

*\*The C&D per ton tip fee reflects an average weighted cost for multiple types of C&D materials.*

### Review of Fee Component

HF&H ensured that the fee component of each rate matches the contractual percentage of 20% for franchise fees, remitted to the City by GWR.

Additionally, rate application review costs and other identified District costs totaling \$9,000 were added as a one-time adjustment to cover the rate review, franchise management, and other identified District costs, such as staff time and public education and outreach.



John Guertin

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### New Rates

Attached hereto is a table of all rates recommended for RP10 based on the adjustments described in this report (Attachment B). HF&H recommends adopting these rates by resolution to be effective July 1, 2024.

\* \* \* \* \*

We would like to express our appreciation to GWR staff for their assistance and cooperation in this process. Should you have any questions, please contact me at (925) 977-6959 or [rchilton@hfh-consultants.com](mailto:rchilton@hfh-consultants.com).

Sincerely,  
HF&H CONSULTANTS, LLC



Rob Hilton  
President



Dave Hilton  
Senior Project Manager



**RESOLUTION NO. 2024-05**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL REY OAKS APPROVING A 3.30 PERCENT RATE INCREASE TO CHARGES BY THE CITY'S FRANCHISED HAULER, GREENWASTE RECOVERY, FOR THE COLLECTION OF SOLID WASTE, RECYCLING AND ORGANICS, EFFECTIVE JULY 1, 2024**

WHEREAS, the City of Del Rey Oaks entered into a Franchise Agreement with GreenWaste Recovery, Inc. (GWR) on January 28, 2014 for solid waste, recycling, and organics collection services for the period of July 1, 2015 through June 30, 2030; and,

WHEREAS, Section 8.2 of the Franchise Agreement requires annual inflationary adjustments to customer rates on July 1 of each year, as described in Exhibit E1 to the Agreement, based on agreed-upon cost indices, changes in tipping fees at the ReGen Monterey (formerly Monterey Regional Waste Management District) landfill, City fees, and actual tonnage of materials collected by GWR; and,

WHEREAS, HF&H Consultants, LLC (HF&H) was retained by ReGen on behalf of all its member agencies to review GWR's request for an adjustment to customer rates, as submitted to the City on April 1, 2023; and,

WHEREAS, HF&H's calculation of the rate adjustments have been reviewed by City staff, and staff finds the calculations to be consistent with the methodology and requirements of the Franchise Agreement; and,

WHEREAS, the rate review resulted in a 3.30 percent rate increase.

**NOW THEREFORE, BE IT RESOLVED** that the City Council of the City of Del Rey Oaks does hereby:

1. Approve a 3.30 percent rate increase to charges by the City's franchised hauler, GreenWaste Recovery, for the collection of solid waste, recycling and organics, effective July 1, 2024, as shown in the attached Exhibit A.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF DEL REY OAKS**, this 21<sup>st</sup> day of May, 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

ATTEST:

\_\_\_\_\_  
Scott Donaldson, Mayor

\_\_\_\_\_  
Karen Minami, City Clerk

Residential Solid Waste Collection Rates			
Service Level	Solid Waste	Recycling	Organics
Curbside 32 Gallon	\$33.68	Included	Included
Curbside 64 Gallon	\$37.16	Included	Included
Curbside 96 Gallon	\$40.66	Included	Included
Notes: See Exhibit B1 for specific service availability			

Commercial/Multi-Family Solid Waste Collection Rates						
Service Level	Frequency					
	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$55.02	\$121.05	\$181.57	\$242.09	\$302.61	\$363.13
96-Gallon Cart	\$66.44	\$132.88	\$219.24	\$292.31	\$365.40	\$438.47
1-Cubic Yard Bin	\$209.08	\$459.97	\$689.97	\$919.94	\$1,149.93	\$1,379.90
2-Cubic Yard Bin	\$351.71	\$645.43	\$945.44	\$1,547.56	\$1,934.45	\$2,321.35
3-Cubic Yard Bin	\$530.65	\$939.95	\$1,350.19	\$2,334.80	\$2,918.50	\$3,502.21
4-Cubic Yard Bin	\$603.46	\$1,231.99	\$2,182.42	\$2,655.22	\$3,319.02	\$3,982.83
6-Cubic Yard Bin	\$934.43	\$2,055.75	\$3,083.64	\$4,111.51	\$5,139.39	\$6,167.25
8-Cubic Yard Bin	\$1,226.48	\$2,452.96	\$3,679.44	\$4,905.92	\$6,132.42	\$7,358.90
2-Cubic Yard Compactor	\$390.95	\$723.90	\$1,063.12	n/a	n/a	n/a
3-Cubic Yard Compactor	\$589.49	\$1,057.63	\$1,526.74	n/a	n/a	n/a
4-Cubic Yard Compactor	\$681.92	\$1,388.91	\$2,417.80	n/a	n/a	n/a

Commercial/Multi-Family Recycling Collection Rates						
Service Level	Frequency					
	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$8.24	\$18.25	\$27.23	\$36.31	\$45.39	\$54.47
96-Gallon Cart	\$9.97	\$19.93	\$32.89	\$43.84	\$54.80	\$65.77
1-Cubic Yard Bin	\$31.36	\$68.99	\$103.50	\$137.99	\$172.49	\$206.98
2-Cubic Yard Bin	\$52.77	\$96.82	\$141.81	\$232.13	\$290.16	\$348.21
3-Cubic Yard Bin	\$79.60	\$140.99	\$202.53	\$350.22	\$437.78	\$525.33
4-Cubic Yard Bin	\$90.52	\$184.80	\$327.36	\$398.28	\$497.85	\$597.42
6-Cubic Yard Bin	\$140.16	\$308.36	\$462.54	\$616.73	\$770.91	\$925.09
8-Cubic Yard Bin	\$183.97	\$367.95	\$551.91	\$735.90	\$919.86	\$1,103.83
2-Cubic Yard Compactor	\$36.36	\$64.02	\$92.62	n/a	n/a	n/a
3-Cubic Yard Compactor	\$55.00	\$91.80	\$128.74	n/a	n/a	n/a
4-Cubic Yard Compactor	\$57.72	\$119.21	\$228.99	n/a	n/a	n/a

Commercial/Multi-Family Food Waste Collection Rates						
Service Level	Frequency					
	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$41.26	\$90.78	\$136.17	\$181.57	\$226.95	\$272.35
96-Gallon Cart	\$49.83	\$99.64	\$164.42	\$219.25	\$274.06	\$328.86
1-Cubic Yard Bin	\$156.81	\$344.97	\$517.48	\$689.97	\$862.44	\$1,034.93
2-Cubic Yard Bin	\$263.79	\$484.09	\$709.09	\$1,160.67	\$1,450.83	\$1,741.00

Commercial/Multi-Family Yard Trimmings Collection Rates						
	Frequency					
Service Level	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$41.26	\$90.78	\$136.17	\$181.57	\$226.95	\$272.35
96-Gallon Cart	\$49.83	\$99.64	\$164.42	\$219.25	\$274.06	\$328.86
1-Cubic Yard Bin	\$156.81	\$344.97	\$517.48	\$689.97	\$862.44	\$1,034.93
2-Cubic Yard Bin	\$263.79	\$484.09	\$709.09	\$1,160.67	\$1,450.83	\$1,741.00
3-Cubic Yard Bin	\$377.99	\$669.53	\$961.78	\$1,663.13	\$2,078.91	\$2,494.71
4-Cubic Yard Bin	\$429.86	\$877.57	\$1,554.60	\$1,891.37	\$2,364.21	\$2,837.07
6-Cubic Yard Bin	\$665.62	\$1,464.36	\$2,196.54	\$2,928.72	\$3,660.90	\$4,393.08
8-Cubic Yard Bin	\$873.66	\$1,747.30	\$2,620.96	\$3,494.61	\$4,368.27	\$5,241.91

Roll-Off Collection Rates (Per Pull)					
	Material				
Service Level	MSW	REC	FW	YT	C&D
10 YD	\$757.96	\$757.96	\$757.96	\$757.96	\$757.96
20 YD	\$831.95	\$831.95	\$831.95	\$831.95	\$831.95
30 YD	\$1,087.67	\$1,087.67	\$1,087.67	\$1,087.67	\$1,087.67
40 YD	\$1,343.39	\$1,343.39	\$1,343.39	\$1,343.39	\$1,343.39
Per Ton	\$96.25	\$50.00	\$80.00	\$58.75	\$96.25

Additional Service Rates		
Service	Sector	Charge Per Event
Cart Rental	RES	\$3.88
Cart Replacement	RES	\$77.54
Re-Delivery or Re-Start	RES	\$32.30
Cart Cleaning	RES	\$32.30
Non-Scheduled Collection	RES	\$24.55
Difficult to Service Cart	COM	\$1.29
Difficult to Service Bin	COM	\$3.88
Locking Bin	COM	\$64.61
Cart Replacement	COM	\$77.54
Cart Cleaning	COM	\$32.30
Bin Swap- Cleaning or Repainting	COM	\$96.92
Bulky - Recyclable	COM/RES	\$25.84
Bulky - Non Recyclable	COM/RES	\$32.30
Bulky - Event	COM/RES	\$38.77
Covered Box	RO	\$96.92
Driver Time per Hour	RO	\$142.15
Dry Run or Relocation	RO	\$96.92
Extra Days	RO	\$32.30

\*Note: All rates charged monthly unless stated otherwise.