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April 17, 2025

Erin Brewster
Sustainability Program Manager
Town of Truckee
10183 Truckee Airport Rd
Truckee, CA 96161

Subject: Review of Tahoe Truckee Sierra Disposal Rate Period Eight Contractor's Compensation Application

Reference Number: S6090

Dear Erin Brewster:

HF&H Consultants, LLC (HF&H) is pleased to present our findings and recommendations to the Town of Truckee (Town) from our review of Tahoe Truckee Sierra Disposal's (TTSD) Contractor's Compensation Application (Application) for Rate Period (RP) 8. This report presents those findings and recommendations and is organized into the following three sections:

- I. Summary and Recommendations
- II. Background
- III. HF&H Analysis

I. Summary and Recommendations

TTSD's Application calculated a total cost of \$12,705,860 to provide current franchised services for RP8, effective July 1, 2025 (see Table 1), requiring a 13.969% overall rate increase. Based on our recommended adjustments to the Application, we have determined that a total cost, including franchise fees, of \$11,329,661 is appropriate and consistent with the rate-setting methodology described in the Franchise Agreement for the Collection and Processing of Discarded Material between The Town of Truckee and Tahoe Truckee Disposal (Agreement). These adjustments result in a blended 3.897% overall revenue increase in order to provide the current level of residential and commercial services required by the Agreement. The blended overall 3.897% RP8 revenue increase reflects the following: 1) 4.753% rate increase to residential customers (shown in Table 4), and 2) 2.722% rate increase to commercial customers (shown in Table 5).

The adjustments to RP8 total costs including franchise fees are described in more detail in Section III below. We have reviewed our findings with TTSD, and they agree with the proposed adjustments to residential and commercial customer rates.



**Table 1:
 HF&H Projected RP8 Application**

	RP8 TTSD Submitted	Adjustments	RP8 HF&H Revised
Annual Cost of Operations			
Labor-Related Costs	\$2,663,413	\$19	\$2,663,431
Vehicle-Related Costs	814,911	(0)	814,910
Fuel Costs	416,839	(57,594)	359,246
Other Costs	25,853	0	25,853
Direct Depreciation	1,296,147	(303,713)	992,434
Total Allocated Costs - Labor, Vehicle, Fuel & Other	3,078,426	(683,774)	2,394,652
Total Allocated Costs - Depreciation & Start-Up	34,978	(21,447)	13,531
Total Annual Cost of Operations	\$8,330,566	(\$1,066,509)	\$7,264,057
Profit	\$925,618	(\$118,501)	\$807,117
Pass-Through Costs			
Mixed materials collected	\$1,784,639	(\$17,205)	\$1,767,434
Recyclable materials collected	136,370	(1,315)	135,055
Source-separated Cardboard collected	0	0	0
Yard trimmings materials collected	298,399	11,936	310,335
Yard trimmings materials dropped-off	88,262	3,530	91,792
Foodscraps materials collected	20,882	0	20,882
C&D materials collected	51,689	(488)	51,201
Interest Expense	343,548	(156,162)	187,386
Total Pass-Through Costs	\$2,723,788	(\$159,703)	\$2,564,085
Total Costs before Town Fees	\$11,979,973	(\$1,344,713)	\$10,635,259
Franchise Fees	\$630,525	(\$62,555)	\$567,970
Recyclable Drop Off - Move to Commercial	0	0	0
AB 939 Fees	95,362	31,070	126,432
Total Costs with Franchise Fees	\$12,705,860	(\$1,376,198)	\$11,329,661
Projected Gross Rate Revenues	\$11,148,530	(\$243,834)	\$10,904,696
Rate Increase	13.969%		3.897%

Note: Numbers may not sum exactly due to rounding.

II. Background

A. GENERAL

The Agreement commenced in July 2018. In accordance with Article 11 of the Agreement, TTSD's compensation shall be adjusted annually, with approval by the Town. The adjustments to TTSD's compensation are determined using one of two methodologies: 1) an index-based adjustment, or 2) a cost-based adjustment (detailed rate review). RP8 rates were determined using the cost-based methodology prescribed in the Agreement (see Section 11.2 and Exhibit B-2).

The intent of performing the cost-based adjustment is to examine the actual costs to serve the Town's ratepayers, excluding non-allowable costs (e.g., labor and vehicle costs incurred



due to route hours exceeding proposed route hours, charitable contributions, fines, and penalties), instead of relying on TTSD's proposed costs from the beginning of the Agreement or limiting adjustments to inflationary indices. This methodology takes into consideration the impacts of changes in inflation, deflation, number of customers, and the service levels of each customer to determine TTSD's allowable compensation. While there is no overall rate adjustment factor cap per the cost-based methodology, there are caps for individual cost categories.

In setting the rates for RP8, the Town and TTSD continue to perform both combined and separate calculations for residential and commercial costs to determine the combined, residential, and commercial rate adjustment factors.

III. HF&H Analysis

A. SCOPE OF WORK

Our approach to this engagement was to work objectively to follow the compensation adjustment terms of the Agreement between TTSD and the Town. When performing the procedures described in the Agreement for the cost-based adjustment, we relied on TTSD's company-wide audited financial statements, current year-to-date financial results of operations data, transaction copies, reports of operations, other information provided by TTSD, TTSD's RP8 cost-based proposal to the Town, and industry standards.

The results of our review and findings were documented by the HF&H staff who performed the engagement and were objectively reviewed by our Engagement Manager. This documentation and subsequent HF&H adjustments were made available to the Town and TTSD for review. While taking direction from the Town, we worked cooperatively with TTSD in an open and transparent manner to ensure that they understood our procedures and preliminary findings. In this capacity, the Town and TTSD had the opportunity to correct any misunderstandings and understand the reasons for any recommended adjustments to the Application.

HF&H staff performed this review based upon the procedures agreed upon by the Town and HF&H, as documented in our proposal, and the Agreement between the Town and TTSD. These procedures included the following activities:

- We reviewed the Application for mathematical accuracy and internal consistency. We also checked that the summary schedules agreed to the supporting schedules and worksheets.
- We checked that TTSD's calculated RP8 compensation used the allowable expenses and the correct percentage changes in Consumer Price Index (CPI) in accordance with the Agreement.
- We reviewed the RP8 Application by performing a review of labor, route hours, overhead, and tonnage and disposal expenses for reasonableness.
- We recalculated the RP7 revenue for the basis of the rate adjustment.
- We met with the Town and TTSD management to review the recommended adjustments to the Application described herein.



- We prepared a written draft and final report to document our findings and recommendations.

B. LIMITATIONS

HF&H's review was substantially different in scope than an examination in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. Such a review was conducted and an opinion expressed by TTSD's independent accountants V T Accounting Associates, LLP.

Exhibit B-2, Section 1.A.2-3 of the Agreement requires TTSD to provide independently reviewed financial statements for the previously completed calendar year and a reconciliation of the Application to the financial statements. TTSD provided company-wide financial statements without reconciliation to the Town-specific Application. TTSD was only able to provide the financial statement for the entirety of TTSD's operation and not a financial statement specific to the Town's operation. HF&H's scope of work was modified to fit the available data, and as such, our review of the inputs to the Application is based on reasonableness and cost build-ups, rather than tying directly to TTSD's financial statements.

HF&H's conclusions are based on our review of TTSD's projections of financial results of operations. Actual results of operations will usually differ from projections because events and circumstances frequently do not occur as expected, and the difference may be significant.

C. REVIEW OF TTSD'S RP8 APPLICATION

HF&H reviewed the RP8 Application to determine completeness, mathematical accuracy, reasonableness, and logical consistency of the assumptions supporting the expenses. This included:

- Verification that all supporting documentation used to build up cost categories agreed to the information within the Application
- Verification of the calculation and rounding of various indices
- Verification of the mathematical accuracy of TTSD's build-up of labor, fuel, vehicle, general and administrative, and other costs
- Verification of the consistency and integrity of the spreadsheets housing calculations

HF&H did not find any errors in the mathematical or logical consistency of the Application.

However, HF&H and TTSD discussed the rounding of indices as stated in Exhibit B-2, Section 2.B and agreed on the interpretation of the language to round the percentage change in the indices to five decimal places (three decimal places in percentage form). The impact of this rounding is combined with the cost impacts detailed by the expense category in Section E of this report. For the remaining term of the Agreement, indices will be rounded five decimal places.



D. DETERMINE ACTUAL ALLOWABLE COST OF OPERATIONS

As required by Exhibit B-2, Section 2.A.1 – 2.A.2 of the Agreement, the Application shall be based on actual expenditures to serve the Town for the most recently completed rate period (RP6). As noted in Section B of this report, TTSD did not have a set of financial statements that were specific to the Town, nor was a reconciling statement provided to demonstrate allocations of company-wide expenditures to the Town. Instead, TTSD used build-ups and estimated expenditures to calculate allowable costs for RP6 (e.g., labor-related, vehicle-related, fuel) that would be the basis for application of the cost-based methodology to calculate costs for RP8. The build-ups and estimated expenditures were calculated by TTSD as follows:

- Labor-related costs were built up by using per-hour labor rates applied to labor hours and/or vehicle route hours, overtime hours, holiday hours, and sick hours. Benefit costs were built up based on relationships between the specific benefits to regular wages.
- Vehicle-related costs were built up through an allocation of expenses based on historical vehicle maintenance expenditures by vehicle type.
- Fuel costs were estimated by multiplying the projected annual gallons of fuel by a price per gallon of fuel.
- Other costs were based on estimated expenditures and allocated by line of business based on driver headcount.
- Direct depreciation costs were estimated based on proposed costs for vehicles over the term of the Agreement, divided by seven years.
- Allocated costs for labor, vehicle, fuel, and others were based on a combination of build-ups and estimated expenditures. Labor-related costs were built up based on overhead headcount, while vehicle, fuel, and other costs were based on estimated expenditures.

HF&H reviewed the build-ups and estimated expenditures for reasonableness by comparing them to the company-wide financial information, performing year-over-year variance analysis, comparing to industry benchmarks and standards, and confirming that the build-ups did not include any non-allowable expenditures (e.g., fines and penalties, charitable contributions, political donations).

E. FORECASTING TOTAL CONTRACTOR'S COMPENSATION

The forecasted total contractor's compensation is calculated based on Exhibit B-2, Section 2.A.3 through Section 2.E in which Total Annual Cost of Operations, Pass-Through Costs, and Forecasted Town Fees/Payments are projected using the cost-based methodology. Refer to each section below for a summary of HF&H's review and adjustments made to each category:



1. Labor-Related Costs

Exhibit B-2, Section 2.A.3.a prescribes forecasted RP8 labor-related costs shall be calculated by (i) multiplying TTSD's allowable RP6 labor-related cost by one plus the Annual Percentage Change in the Employment Cost Index (ECI) ending October 2024 of 4.30%, and (ii) multiplying the result of step one once more by the Annual Percentage Change in ECI. TTSD correctly calculated the RP8 labor-related costs. HF&H does not recommend any adjustments in addition to those noted in Section C of this report. HF&H rounded the percentage change in the ECI to the nearest thousandth (five decimal places) and recommends an increase of \$19.

2. Vehicle-Related Costs (Excluding Fuel and Depreciation Costs)

Exhibit B-2, Section 2.A.3.b prescribes forecasted RP8 vehicle-related costs shall be calculated by (i) multiplying TTSD's allowable RP6 vehicle-related cost by the Annual Percent Change in the Motor Vehicle Maintenance and Repair Index (MVI) ending October 2024 of 6.39%, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the MVI. TTSD correctly calculated the RP8 vehicle-related costs. HF&H does not recommend any adjustments in addition to those noted in Section C of this report. HF&H rounded the percentage change in the MVI to the nearest thousandths (five decimal places) and recommends a decrease of \$0.26.

3. Fuel Costs

Exhibit B-2, Section 2.A.3.c prescribes forecasted RP8 fuel cost shall be calculated by (i) multiplying the TTSD's allowable RP6 fuel cost, both direct and allocated, by one plus the Annual Percentage Change in the Fuel Index ending October 2024 of -17.12%, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the Fuel Index.

TTSD correctly forecasted the fuel costs for RP8 but brought up concerns about the effects of decreasing the fuel cost by a negative index twice. The Town and TTSD agreed that the Fuel Index is volatile by nature, and the application of the index twice per the cost-based methodology may not be appropriate and may artificially bring the RP8 fuel costs to a lower level than what is experienced by TTSD. Therefore, it was agreed by the Town and TTSD that fuel costs for RP8 shall be calculated by applying the Fuel Index once to mitigate this risk, instead of applying the index twice to produce an exponential negative impact.

Additionally, HF&H rounded the percentage change in the Fuel Index to the nearest thousandth (five decimal places), as noted in Section C of this report, and recommends a combined decrease for both the single application of the index and the rounding of \$57,594.

4. Other Costs

Exhibit B-2, Section 2.A.3.d designates forecasted RP8 other costs shall be calculated by (i) multiplying by TTSD's allowable RP6 other cost by one plus the Annual Percentage Change in the Consumer Price Index – All Urban Consumers (CPI-U) ending October 2024 of 2.78%, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the CPI-U. HF&H rounded the percentage change in the CPI-U to the nearest thousandth (five decimal places) and recommends an increase of \$0.04.



5. Depreciation

Exhibit B-2, Section 2.A.3.e prescribes that direct depreciation shall be calculated by (i) multiplying the allowable RP6 direct depreciation expense by one plus the Annual Percentage Change in CPI-U ending October 2024 of 2.78%, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the CPI-U. TTSD correctly applied the percentage change in the CPI-U but did not correctly calculate the allowed direct depreciation expense. The allowed direct depreciation expense, as defined in Exhibit B-2, Section 2.A.1.e, is the direct depreciation costs in RP7, not the actual depreciation costs in RP6 of \$1,226,957. Therefore, HF&H projected RP8 direct depreciation using RP7 direct depreciation of \$965,581 multiplied by the percentage change in the CPI-U of 2.78%.

Additionally, HF&H rounded the percentage change in the CPI-U to the nearest thousandth (five decimal places), as noted in Section C of this report, and recommends a combined decrease for both the recalculation of allowed depreciation and the rounding of \$303,713.

6. Allocated Costs – Labor, Vehicle, Fuel, and Other Costs

Exhibit B-2, Section 2.A.3.f prescribes forecasted RP8 allocated costs shall be calculated by (i) multiplying TTSD's allowable RP6 allocated costs by the average change in the CPI-U ending October 2024 of 2.78%, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the CPI-U. TTSD correctly calculated RP8 allocated cost at \$3,078,426. However, Exhibit B-2, Section 1.A.2.q states that administrative costs shall not exceed the administrative costs presented in TTSD's proposal (Exhibit C-2) adjusted annually by one plus the Annual Percentage Change in the CPI-U. Therefore, the cap for allocated costs for RP8 is \$2,394,652. As such, HF&H recommends a decrease of \$683,774.

7. Allocated Costs – Depreciation and Start-Up Costs

Exhibit B-2, Section 2.A.3.g prescribes allocated depreciation and start-up costs shall be held at \$13,531 per year, for RP2 through RP10, and is not annually adjusted. TTSD proposed RP8 allocated depreciation and start-up costs at \$34,978. To align with the methodology in the Agreement, HF&H recommends a decrease of \$21,447.

8. Profit

Exhibit B-2, Section 2.B designates the operating ratio to be 90% of the forecasted RP8 total annual cost of operations. TTSD's Application correctly calculated profit based on the prescribed operating ratio. After the inclusion of all of HF&H's adjustments noted above, the recalculated profit for RP8 is \$807,117.

F. FORECAST PASS-THROUGH COSTS

1. Disposal and Processing Costs – All Material Streams

Exhibit B-2, Section 2.C.1 through 2.C.5 prescribes pass-through costs for mixed materials, recyclable materials, yard trimming, food scraps, and C&D materials shall be calculated by multiplying the upcoming RP8 per ton rate for each material stream by the respective annual tons of each material from RP6. TTSD's Application correctly calculated the pass-through costs



in accordance with the prescribed methodology using RP7 per-ton rates increased by the change in the CPI.

The RP8 per-ton rates are pending final approval by the Board of Supervisors; therefore, the Town provided HF&H an updated estimate of the RP8 per-ton rates to be used in the Application. HF&H recalculated the RP8 disposal and processing costs using these revised estimates (as shown in Table 2 below) and the final rate adjustment calculation will be updated upon approval of the final RP8 per-ton rates. At this time, HF&H recommends a combined decrease of \$3,541 to disposal and processing costs to reflect the revised per-ton rates.

**Table 2:
 RP8 Disposal and Processing Costs**

	A	B	C = A x B	
	RP6 Tonnage	RP8 Per Ton Fee	RP8 Cost	RP8 Adjustment
Mixed materials	16,079	\$109.92	\$1,767,434	(\$17,205)
Recyclable materials	1,229	\$109.92	\$135,055	(\$1,315)
Yard trimmings materials	2,760	\$145.69	\$402,127	\$15,466
Foodscraps materials	234	\$89.25	\$20,882	\$0
C&D materials	333	\$153.79	\$51,201	(\$488)
Total Disposal and Processing Costs			\$2,376,699	(\$3,541)

2. Interest Expense

Exhibit B-2, Section 2.C.6 prescribes interest expense shall only be adjusted to account for new program implementation scheduled for RP2 and RP3. Therefore, the proposed RP8 interest expense should be reflective of all adjustments in previous index-based rate adjustment years and should be the same as RP7 at \$187,386. TTSD’s Application incorrectly included a build-up of interest expense based on current capital (vehicles and containers). To align with the methodology in the Agreement, HF&H recommends a decrease of \$156,162.

G. FORECAST TOWN FEES/PAYMENTS

Franchise Fee: Franchise fees shall equal 5% of the Total Calculated Costs. HF&H recalculated the RP8 franchise fee, after application of all of the above adjustments, at \$567,970. Therefore, HF&H recommends a decrease of \$62,555.

Recycling Drop-off: Recycling Drop-off adjustment is a one-time adjustment to move 50% of costs incurred for the Recyclables Drop-off Facility from residential to commercial customers. Historically the service is for residential customers, but TTSD recently has seen commercial customers using the drop-off facility. The Town and TTSD agree to use this method for this Application. Therefore, the proposed RP8 Recycling Drop-off Cost will be a decrease of \$63,447 for residential and an increase of \$63,447 for commercial, resulting in a net \$0 change in total cost.

AB 939 Fee: AB 939 fees for the coming rate period shall equal the total AB 939 fees to be paid to the Town in RP7 multiplied by one plus the Annual Percentage Change in the CPI-U,



or as otherwise directed by the Town. The Town requested instead of increasing the AB 939 fee by the CPI-U to include an additional \$31,070 to cover the cost of the Recyclist software subscription for commercial accounts. Therefore, HF&H recommends an increase of \$31,070.

Rate Application Review Costs: This amount is determined by the Town on either a one-time or reoccurring basis to reimburse TTSD for payment of the Town's costs. No review costs are included in RP8.

H. DETERMINE PROJECTED GROSS RATE REVENUE

Exhibit B-2, Section 3 prescribes projected gross revenue shall be determined by multiplying current rates by current subscription. Projected gross rate revenue is then used to calculate the necessary rate adjustment to cover the difference between the total costs and the projected gross rate revenue.

Currently, the Town charges residents for regular collection service through the tax roll, and TTSD charges commercial customers and miscellaneous residential services through direct billing. Due to this billing arrangement, HF&H is unable to compile a list of current subscriptions to calculate projected gross rate revenue in accordance with the methodology. During the last cost-based rate adjustment, the Town and TTSD agreed on an alternative methodology for calculating projected gross rate revenue: the past four quarters of franchise fee remittances shall be used to calculate projected gross rate revenue. These remittances indicate total revenue received for collection services and are the most accurate and reliable sources of revenue projections available at the time of this review.

TTSD's Application used the franchise fee remittances for July 2023 – June 2024 to calculate the projected gross rate revenue. HF&H recalculated projected gross rate revenue using the January 2024 – December 2024 franchise fee remittances to better reflect the current revenue picture. HF&H recommends a combined residential and commercial gross rate revenue decrease of \$243,834, resulting in residential gross rate revenue of \$6,308,529, commercial gross rate revenue of \$4,596,167, and a combined gross rate revenue of \$10,904,696.

I. CALCULATE RATE ADJUSTMENTS

Table 3 below summarizes the projected RP8 total costs of \$11,329,661 to provide current franchised services for RP8. An overall 3.897% revenue increase is required to generate sufficient revenue. The rate adjustment by customer class is broken out in Table 4 (residential) and Table 5 (commercial). Residential rates require a 4.753% rate increase, and commercial rates require a 2.722% rate increase to cover each sector's RP8 total costs.



**Table 3:
 HF&H Projected RP8 Application**

	RP8 TTSD Submitted	Adjustments	RP8 HF&H Revised
Annual Cost of Operations			
Labor-Related Costs	\$2,663,413	\$19	\$2,663,431
Vehicle-Related Costs	814,911	(0)	814,910
Fuel Costs	416,839	(57,594)	359,246
Other Costs	25,853	0	25,853
Direct Depreciation	1,296,147	(303,713)	992,434
Total Allocated Costs - Labor, Vehicle, Fuel & Other	3,078,426	(683,774)	2,394,652
Total Allocated Costs - Depreciation & Start-Up	34,978	(21,447)	13,531
Total Annual Cost of Operations	\$8,330,566	(\$1,066,509)	\$7,264,057
Profit	\$925,618	(\$118,501)	\$807,117
Pass-Through Costs			
Mixed materials collected	\$1,784,639	(\$17,205)	\$1,767,434
Recyclable materials collected	136,370	(1,315)	135,055
Source-separated Cardboard collected	0	0	0
Yard trimmings materials collected	298,399	11,936	310,335
Yard trimmings materials dropped-off	88,262	3,530	91,792
Foodscraps materials collected	20,882	0	20,882
C&D materials collected	51,689	(488)	51,201
Interest Expense	343,548	(156,162)	187,386
Total Pass-Through Costs	\$2,723,788	(\$159,703)	\$2,564,085
Total Costs before Town Fees	\$11,979,973	(\$1,344,713)	\$10,635,259
Franchise Fees	\$630,525	(\$62,555)	\$567,970
Recyclable Drop Off - Move to Commercial	0	0	0
AB 939 Fees	95,362	31,070	126,432
Total Costs with Franchise Fees	\$12,705,860	(\$1,376,198)	\$11,329,661
Projected Gross Rate Revenues	\$11,148,530	(\$243,834)	\$10,904,696
Rate Increase	13.969%		3.897%

Note: Numbers may not sum exactly due to rounding.



**Table 4:
 HF&H Projected RP8 Application - Residential**

	RP8 TTSD Submitted	Adjustments	RP8 HF&H Revised
Annual Cost of Operations			
Labor-Related Costs	\$2,004,296	\$14	\$2,004,310
Vehicle-Related Costs	543,121	(0)	543,121
Fuel Costs	288,527	(39,865)	248,662
Other Costs	19,455	0	19,455
Direct Depreciation	718,576	(189,272)	529,305
Total Allocated Costs - Labor, Vehicle, Fuel & Other	1,673,573	(434,768)	1,238,805
Total Allocated Costs - Depreciation & Start-Up	30,557	(21,086)	9,472
Total Annual Cost of Operations	\$5,278,105	(\$684,976)	\$4,593,129
Profit	\$277,795	\$232,553	\$510,348
Pass-Through Costs			
Mixed materials collected	\$638,353	(\$6,154)	\$632,199
Recyclable materials collected	104,325	(1,006)	103,320
Source-separated Cardboard collected	0	0	0
Yard trimmings materials collected	298,399	11,936	310,335
Yard trimmings materials dropped-off	88,262	3,530	91,792
Foodscraps materials collected	0	0	0
C&D materials collected	0	0	0
Interest Expense	190,461	(94,929)	95,532
Total Pass-Through Costs	\$1,319,800	(\$86,622)	\$1,233,177
Total Costs before Town Fees	\$6,875,700	(\$539,046)	\$6,336,654
Franchise Fees	358,334	(\$23,169)	\$335,165
Recyclable Drop Off - Move to Commercial	(\$67,348)	3,901	(63,447)
Total Costs with Franchise Fees	\$7,234,035	(\$558,314)	\$6,608,372
Projected Gross Rate Revenues	\$6,374,550	(\$66,021)	\$6,308,529
Rate Increase	13.483%		4.753%

Note: Numbers may not sum exactly due to rounding.



**Table 5:
 HF&H Projected RP8 Application - Commercial**

	RP8 TTSD Submitted	Adjustments	RP8 HF&H Revised
Annual Cost of Operations			
Labor-Related Costs	\$659,117	\$5	\$659,121
Vehicle-Related Costs	271,789	(0)	271,789
Fuel Costs	128,313	(17,729)	110,584
Other Costs	6,398	0	6,398
Direct Depreciation	577,570	(114,441)	463,129
Total Allocated Costs - Labor, Vehicle, Fuel & Other	1,404,854	(249,006)	1,155,847
Total Allocated Costs - Depreciation & Start-Up	4,421	(362)	4,059
Total Annual Cost of Operations	\$3,052,461	(\$381,533)	\$2,670,928
Profit	\$647,823	(\$351,054)	\$296,770
Pass-Through Costs			
Mixed materials collected	\$1,146,286	(\$11,051)	\$1,135,235
Recyclable materials collected	32,045	(309)	31,736
Source-separated Cardboard collected	0	0	0
Yard trimmings materials collected	0	0	0
Yard trimmings materials dropped-off	0	0	0
Foodscraps materials collected	20,882	0	20,882
C&D materials collected	51,689	(488)	51,201
Interest Expense	153,087	(61,233)	91,854
Total Pass-Through Costs	\$1,403,988	(\$73,081)	\$1,330,907
Total Costs before Town Fees	\$5,104,272	(\$805,667)	\$4,298,605
Franchise Fees	\$272,191	(\$39,386)	\$232,804
Recyclable Drop Off - Move to Commercial	67,348	(3,901)	63,447
AB 939 Fees	95,362	31,070	126,432
Total Costs with Franchise Fees	\$5,539,173	(\$817,884)	\$4,721,289
Projected Gross Rate Revenues	\$4,773,980	(\$177,813)	\$4,596,167
Rate Increase	16.028%		2.722%

Note: Numbers may not sum exactly due to rounding.



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HF&H would like to express our appreciation to TTSD's management and staff for their assistance. In addition, we express our appreciation to you for your assistance and guidance during the course of the review. Should you have any questions, please contact Rick Simonson directly at (925) 977-6957 or rsimonson@hfh-consultants.com.

Sincerely,
HF&H CONSULTANTS, LLC

A handwritten signature in blue ink that reads "Richard J. Simonson".

Rick Simonson
Senior Vice President

A handwritten signature in black ink that reads "Dave Hilton".

Dave Hilton
Senior Project Manager