



## REPUBLIC SERVICES

3260 BLUME DRIVE • SUITE 115 • RICHMOND, CALIFORNIA 94806

December 11, 2018

Mr. David Biggs, City Manager  
City of Hercules  
111 Civic Drive  
Hercules, CA 94547

Re: BASE YEAR RATE ADJUSTMENT EFFECTIVE JANUARY 1, 2019 -  
REVISED

Dear Mr. Biggs:

Pursuant to the Franchise Agreement between the City and Richmond Sanitary Service, as suggested by R3 and as requested by the City to account for the cost of the R3 review of the Base Year Rate Adjustment Application, the 2019 Base Year Rates for Residential and Commercial waste collection services in Hercules are being adjusted by 5.41%, effective January 1, 2019.

Service billings also include a surcharge set by the West Contra Costa Integrated Solid Waste Management Authority that covers post-collection processing of recyclable materials at the West County Integrated Processing Facility ("IRRF") and solid waste disposal at Golden Bear Transfer Facility of approximately 6% for residential service. The 2019 Residential and Commercial Service rates are as follows:

2019 Residential Service Rates						
Cart Size	2018 Collection Rate	Base Year Rate Adj 5.41%	2019 Collection Rate	City Waste Program	2019 Post-Collec Charge	2019 Monthly TOTAL
35-gallon	25.69	1.39	27.08	2.08	9.47	38.63
65-gallon	44.31	2.40	46.71	3.79	17.61	68.11
95-gallon	63.04	3.41	66.45	5.60	26.42	98.47
20-gallon	24.78	1.34	26.12	1.40	5.40	32.92
Sr. 35-gal	23.69	1.39	25.08	2.03	9.47	36.58

2019 Commercial Service Rates *					
Bin Size	Times per Week				
	1	2	3	4	5
1 Yard	280.98	492.72	704.62	916.37	1,128.27
2 Yard	466.01	852.57	1,239.11	1,625.67	2,012.07
3 Yard	639.86	1,191.01	1,741.80	2,292.57	2,843.36
4 Yard	807.78	1,518.19	2,228.46	2,938.72	3,648.95
5 Yard	972.51	1,839.99	2,707.30	3,574.77	4,442.09
6 Yard	1,135.50	2,159.05	3,182.95	4,206.66	5,230.57
7 Yard	1,297.36	2,477.51	3,657.80	4,837.93	6,018.07

\*Includes \$41.95 per yard/per month/per pick-up per week (IRRF Surcharge)

If you have any questions or need additional information, please let us know. I can be reached by telephone at (510) 262-7143, or e-mail at [smoberg@republicservices.com](mailto:smoberg@republicservices.com). Janna Coverston can be reached by e-mail at [jcoverston@tepublicservices.com](mailto:jcoverston@tepublicservices.com), or by phone at (510) 262-7144

Very truly yours,



Shawn Moberg  
General Manager

cc: M. Roberts  
J. Coverston  
B. Moore  
W. Lau

## Base Year Rate Change Application

## Financial Information

	RSS				R3	
	Actual		Estimated	Projected	Projected	
	Historical Years		Current Year	Base Year	Base Year	
	Year 1	Year 2	Year 3	Year 4	Year 4	Year 4
	2016	2017	2018	2019	2019	2019
Enter Actual Year in this Row						
1 Direct Labor	\$ 1,324,263	\$ 1,408,713	\$ 1,593,581	\$ 1,671,684	\$ (2,025.12)	\$ (8,119.16)
2 Tipping Fees (Profit Allowed)						
3 Corporate and Local General and Administrative Costs	454,301	455,596	490,517	505,232		
4 Depreciation and Other Operating Costs	25,444	24,104	23,818	24,533		
10 Trucking and Equipment	635,833	676,687	753,118	778,418		
5 Services Provided to City	61,813	64,821	66,724	68,920		
6 Total Allowable Costs (Lines 1 + 2 + 3 + 4 + 5 + 10)	\$ 2,501,654	\$ 2,629,920	\$ 2,927,758	\$ 3,048,787		
7 Operating Ratio	88.0%	88.0%	88.0%	88.0%		
8 Allowable Operating Profit [(Line 6 - 0.9) - Line 6]	\$ 341,135	\$ 358,625	\$ 399,240	\$ 415,744		
9 City Administrative Fee						
11 Tipping Fees (Pass Through)						
12 Total Pass Through Costs (without Franchise Fees) (Lines 9 + 11)						
13 Total Allowable Costs (Line 6) plus Allowable Operating Profit (Line 8) plus Total Pass Through Costs (without Franchise Fees) (Line 12)	\$ 2,842,789	\$ 2,988,545	\$ 3,326,998	\$ 3,464,531		
14 Residential Revenue	2,114,183	2,182,221	2,237,613	\$ 2,237,613	\$ 15,637	\$ 2,253,250
15 Less Allowance for Uncollectible Residential Accounts				(67,128)		(67,597)
16 Total Residential Revenue (without Rate Change in Base Year)	\$ 2,114,183	\$ 2,182,221	\$ 2,237,613	\$ 2,170,484		\$ 2,185,652
17 Commercial and Light Industrial Revenue	1,321,868	1,388,445	1,454,514	\$ 1,454,514		\$ 1,454,514
18 Less Allowance for Uncollectible Commercial and Light Industrial Accounts				(43,635)		(43,635)
19 Total Commercial/Light Industrial Revenue (without Rate Change in Base Year)	\$ 1,321,868	\$ 1,388,445	\$ 1,454,514	\$ 1,410,878		\$ 1,410,878
20 Recycled Material Sales						
21 Total Revenue (Lines 16 + 19 + 20)	\$ 3,436,052	\$ 3,570,666	\$ 3,692,126	\$ 3,581,363		\$ 3,596,531
22 Net Shortfall (Surplus) without Franchise Fees (Line 13 - Line 21)	\$ (593,263)	\$ (582,120)	\$ (365,128)	\$ (116,832)		\$ (141,437)
23 Residential/Commercial/Light Industrial Franchise Fees (see calculation below)	\$ 298,449	\$ 310,136	\$ 321,495	\$ 344,235		\$ 335,983
24 Net Shortfall (Surplus) with Franchise Fees (Lines 22 + 23)	\$ (294,814)	\$ (271,985)	\$ (43,633)	\$ 227,403		\$ 194,547
25 Total Residential/Commercial/Light Industrial Revenue Prior to Rate Change (Lines 16 + 19)		\$ 3,570,666	\$ 3,692,126	\$ 3,581,363		\$ 3,596,531
26 Percent Change in Existing Residential/Commercial/Light Industrial Rates (Line 24 - Line 25)		-7.62%	-1.2%	6.35%		5.41%
27 Total Allowable Costs (Line 6)				\$ 3,048,787		\$ 3,040,483
28 Allowable Operating Profits (Line 8)				415,744		414,611
29 Franchise Fees (Line 23)				344,235		335,983
30 2019 Revenue Requirement (Lines 27 + 28 + 29)				\$ 3,808,766		\$ 3,791,077

Franchise fee is 10% of revenue 10.0%

For the purposes of calculating the franchise fee, San Pablo's methodology was applied as follows:

San Pablo - 2013 Amendment, Section 5:

a franchise fee in an amount equal to the percent (10%) of gross revenues...

For purposes of calculating gross revenues, Contractor shall not deduct the amount of franchise fee payments or any other business expense.

\*\* Hercules income and expense amounts were combined in one general ledger with four other cities under Richmond Sanitary Service

Therefore, Hercules amounts above were derived directly or using route allocation factors.