



CITY OF HERCULES
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To: David Biggs, City Manager
From: Michael Roberts, Public Works Director/City Engineer MR
Re: Recommended Adjustments to the 2019 Refuse Collection Rates
Date: December 7, 2018

In 1986 the City and Republic Services entered into a Franchise Agreement which provides Republic Services the exclusive right for collection and disposal services within Hercules. Since that time the Agreement has been amended multiple times. In accordance with Amendment No. 5, which was executed in 2013 and is the most recent, 2019 and 2023 are base years for rate review and adjustment. On other years the refuse collection rates are adjusted annually in accordance with the San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (CPI).

On June 28, 2018 Republic Services submitted a base year rate adjustment request for +6.35% to be effective January 1, 2019 as provided for in Amendment No. 5. Under the Municipal Code Chapter 2A "Adjustment of Refuse Collection Rates", the Public Works Director/City Engineer is required to review the rate increase request, including completing any necessary studies and conducting a public hearing. The findings and recommended action are to be compiled and then submitted in a report to the City Manager. This memorandum serves as my report.

Delivery of municipal services can be divided into management/administration and field operations. Rate reviews should include an evaluation of both. To be as cost effective as possible and maximize available resources, Hercules jointly hired R3 Consulting Group with Pinole and San Pablo, who are also undergoing base year rate adjustments, to perform a high level, desktop review for all 3 Cities. R3 is a Bay Area solid waste management consulting firm and satisfactorily completed the last rate review for Hercules back in 2013. R3 reviewed Republics rate adjustment applications for 2019 with regards to mathematical accuracy, consistency with industry standards, allocations between franchise areas, and consistency with the Franchise Agreements. They are recommending a base rate adjustment for Hercules of +5.34%, which they discussed with Republic, and Republic has agreed to use. This adjustment is slightly more than the most recent CPI, which is tracking at 4.4%, and can be attributed to higher labor costs, gasoline prices, and truck costs.

I toured Republic's field operations in August 2018 and they appeared to have the appropriate staffing levels, facilities that were in good working order, efficient operations, and very well managed. I also conducted a public hearing at 7 pm on Thursday, November 29 as required by the Municipal Code.

Based upon these reports, findings and observations, I am recommending Republic Services' base rate adjustment be set at +5.34% to be effective January 1, 2019.