



MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **October 5, 2017**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager 

SUBJECT: Review and Possible Action Concerning Review of Recology Audits for 2018 Solid Waste Rate Increase.

In accordance with the existing franchise agreement, Recology requested a 3.52% 2018 rate increase and provided the required financial information to the District.

The District's accountant Maze & Associates was asked to apply procedures to identify any mistakes associated with documents and calculations used by Recology to determine the 2018 Rate year adjustment factor.

The calculation for a thirty-two gallon cart customer, which is the majority base of the rate payers in the District, is \$0.05 less per month than they were paying in 2016.

Staff is currently preparing a Prop 218 notice to be sent to all property owners in the District. A Public Hearing to consider adoption of the rate increase is scheduled for the December 7, 2017 meeting. Recology will pay for the required mailing.

RECOMMENDATION:

Receive Maze & Associates presentation on the review of the suggested rate increase and associated information and authorize the initiation of the required Prop 218 process.

Attachments.

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
MONTARA WATER AND SANITARY DISTRICT
FRANCHISE AGREEMENT
WITH
RECOLOGY OF THE COAST
FOR
SOLID WASTE AND RECYCLING SERVICES**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
MONTARA WATER AND SANITARY DISTRICT
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WITH
RECOLOGY OF THE COAST
FOR SOLID WASTE AND RECYCLING SERVICES**

Honorable Members
of the Board of Directors
Montara, California

We have performed the procedures described below, which were agreed to by the Montara Water and Sanitary District (District) solely to assist you with respect to verifying the accuracy of the calculation of the new rates for providing solid waste and recycling services. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures, results, findings, and recommendations are as follows:

1. We obtained the *Franchise Agreement between The Montara Water and Sanitary District (Montara) and Recology of the Coast for Solid Waste and Recycling Services, effective October 1, 2013* (Agreement), in order to gain an understanding of the terms, fees, services and reporting requirements outlined.

Result: We reviewed the Franchise Agreement between the District and Recology of the Coast (Recology) and noted that service rates are to change annually. We also noted that commencing January 1, 2018, service rates are to be determined by using “index-based method” calculation, versus the previous “cost-based method” calculation.

2. We obtained the outline for the calculation utilized to determine the Index Based Rate Adjustment Calculation.

Results: We noted that the specified calculations and formulas were in alignment with the Franchise Agreement; No variances were found.

3. We obtained from Recology the necessary indices used to determine the rate for the year 2018. The indices appear to have been downloaded from the US Bureau of Labor and Statistics.

Result: We re-calculated all 2018 indices used in the determination of the 2018 rate; no variances were found.

Conclusion: By applying the procedures identified above, we detected no deviations between the calculations prepared by Recology and the terms of the Franchise Agreement.

Recommendations: Factors which represent a critical component of the rate calculations were not audited, and are based on good faith disclosures by Recology. The District may consider having the following data subjected to more thorough testing:

1. CBA Labor Costs, Health & Welfare as well as Pension figures were provided by Recology Staff. However, the supporting documentation for all of these factors was not provided.
2. RY 2017 Costs used as the basis in which to increase rates was not a figure that was verified by the availability of Recology's audited financial statements.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the calculation of the new rates for providing solid waste and recycling services. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and District Board and is not intended to be and should not be used by anyone other than those specified parties.

Mage & Associates

September 27, 2017

Montara Water and Sanitary District

RY 2018 Rate Adjustment Percentage 3.52%

Proposed Maximum Rates Effective 1/1/18

RESIDENTIAL

	2017 Rates	2018 Rates
1. Weekly collection, single container placed in front of premises, wet and dry garbage ("first can service") in wheeled carts:		
a. Container limits: Volume - 20 gals (3/10 cu yd), up to 40 lbs - per month	\$23.02	\$23.83
b. Container limits: Volume - 32 gals (1/4 cu yd), up to 60 lbs - per month	\$28.31	\$29.31
c. Container limits: Volume - 64 gals (1/2 cu yd), up to 100 lbs - per month	\$93.01	\$96.28
2. Special Services (charges added to above, basic charges):		
a. Container placed at side or rear of dwelling - per container	\$7.07	\$7.32
b. Container not placed at specified collection point and return call required - per container	\$14.42	\$14.93
c. Extra 30 gal bag with collection (excludes 20 gal cart service), per bag	\$7.64	\$7.91
d. Special collections combined with regular service, including collections for brush, yard clippings, boxes, etc.	Estimate	Estimate
3. Bulky goods drop-off service four times per year within Montara District limits including greenwaste and motor oil in Recology-provided bottles only	Included with Service	Included with Service
4. Weekly commingled recyclable materials collection (64 gal wheeled cart)	Included with Service	Included with Service
5. Every other week greenwaste (yard trimmings, etc.) collection, limited to four (4) 30 gal containers - customers own containers	Included with Service	Included with Service
6. Bulky goods curbside collection service, limited to four (4) times per year One item up to 200 lbs or (5)-30 gal bags	Included with Service	Included with Service
7. Dropoff at Recycling yard in Pacifica of motor oil, latex paint, unpainted lumber, large pieces of metal, styrofoam, e-waste, large white goods, furniture, mattresses, large amounts of recyclable materials	Included with Service	Included with Service
8. Christmas tree pick up thru January 31st each year	Included with Service	Included with Service
a. After January 31st charge is \$20 per tree for removal	\$20.00	\$20.00

MULTI-FAMILY, COMMERCIAL AND INDUSTRIAL SERVICE

1. Service to restaurants, hotels, cafes, apartments, stores and similar places of business, factories, schools and institutions, wet and dry garbage - container limits: volume - 30 gal. cans (1/4 cu. yd), weight - 75 lbs		
a. Regular collections:		
1-64 gal collection once per week	\$111.69	\$115.62
1-96 gal collection once per week	\$182.77	\$189.20
b. Additional 64 or 96 gal commercial carts picked up more than once per week will be original charge times the number of pickups	Will vary by size	Will vary by size
2. Commercial Container Rental:		
a. 1 cubic yard box - per mo.	\$50.81	\$52.60
b. 2 cubic yard box - per mo.	\$65.88	\$68.20
3. Commercial Container Collections:		
a. 1 cubic yard box - per collection	\$42.94	\$44.45
b. 2 cubic yard box - per collection	\$85.43	\$88.44
4. Compacted Commercial Container Service:		
a. 1 cubic yard box - per collection	\$83.81	\$86.76
b. 2 cubic yard box - per collection	\$169.30	\$175.26
5. Recyclable material collection up to five times per week	Included with Service	Included with Service

DEBRIS BOX SERVICE

7, 14, 20 and 30 yard containers:		
a. Container rental, delivery and pickup charge	\$337.54	\$349.42

RESIDENTIAL

b. \$67 per ton confirmed by disposal site weight slip

2017
Rates

Tonnage based

2018
Rates

Tonnage based

SPECIAL PROVISIONS

1. Financial hardship rate for weekly collection for single container placed in front of premises, wet and dry garbage 30 gallon can (PGE CARE PROGRAM) 15% reduction

\$24.11

\$24.96

Recology of the Coast
 Fuel Purchases

DOCUMENT DATE SHIP DATE	DOCUMENT NUMBER INVOICE NUMBER	NET GALLONS	BILLED GALLONS
12/31/15	0490717-IN	3,300	3,300
01/14/16	0500479-IN	3,299	3,299
01/28/16	0512149-IN	3,799	3,799
02/10/16	0522503-IN	3,300	3,300
02/23/16	0534444-IN	3,603	3,603
02/25/16	0534450-IN	2,048	2,048
03/10/16	0545722-IN	3,862	3,862
03/24/16	0556212-IN	4,132	4,132
04/07/16	0567499-IN	3,111	3,111
04/21/16	0578637-IN	4,000	4,000
05/05/16	0590070-IN	4,001	4,001
05/19/16	0601363-IN	4,499	4,499
06/02/16	0611836-IN	4,511	4,511
06/16/16	0623102-IN	2,979	2,979
06/16/16	0625008-IN	1,188	1,188
07/14/16	0644873-IN	3,803	3,803
07/28/16	0656828-IN	2,290	2,290
07/29/16	0657842-IN	1,684	1,684
08/11/16	0668161-IN	4,504	4,504
08/25/16	0679872-IN	4,500	4,500
09/08/16	0691138-IN	4,169	4,169
09/22/16	0702866-IN	3,767	3,767
10/06/16	0713684-IN	3,584	3,584
10/20/16	0724819-IN	3,973	3,973
11/03/16	0735619-IN	4,111	4,111
11/17/16	0745646-IN	2,500	2,500
12/01/16	0756427-IN	4,831	4,831
12/30/16	0766867-IN	3,998	3,998
		99,346	99,346

47,714

12/29/16	0776747-IN	4,007	4,007
01/12/17	0786900-IN	4,398	4,398
01/26/17	0796851-IN	4,432	4,432
02/09/17	0807322-IN	3,968	3,968
02/20/17	0815702-IN	1,500	1,500
02/23/17	0817440-IN	3,258	3,258

03/09/17	0827924-IN	4,192	4,192
03/23/17	0838830-IN	4,096	4,096
04/06/17	0849928-IN	4,783	4,783
04/20/17	0859990-IN	4,191	4,191
05/04/17	0871392-IN	4,380	4,380
05/18/17	0882199-IN	4,065	4,065
06/01/17	0892887-IN	3,750	3,750
06/14/17	0899770-IN	3,993	3,993
06/22/17	0909241-IN	1,982	1,982

56,995 56,995

56,995
104,709 Gallons July

	Pacifica	Montara	El Granada	Totals
Total Routes	13.50	2.845	2.650	18.995
Gallons of Diesel Fuel Purchased 7/2016 - 6/2017	74,420	15,683	14,607	104,709
Transportation Taxes:				
Diesel excise tax per gallon	\$0.20	\$0.20	\$0.20	\$0.20
Diesel sales tax per gallon	\$0.04	\$0.04	\$0.04	\$0.04
Total Taxes	\$0.24	\$0.24	\$0.24	\$0.24
Additional Transportation Taxes Cost	\$17,861	\$3,764	\$3,506	\$25,130

γ 2016 - June 2017

104,709

\$25,130

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Data extracted on: August 31, 2017 (2:58:52 PM)

CPI-All Urban Consumers (Current Series)

Series Id: CUURA422SA0, CUUSA422SA0
 Not Seasonally Adjusted
Series Title: All items in San Francisco-Oakland-San Jose, CA, all urban consumers, not seasonally adjusted
Area: San Francisco-Oakland-San Jose, CA
Item: All items
Base Period: 1982-84=100

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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2007		213.688		215.842		216.123		216.240		217.949		218.485	216.048	214.736	217.361
2008		219.612		222.074		225.181		225.411		225.824		218.528	222.767	221.730	223.804
2009		222.166		223.854		225.692		225.801		226.051		224.239	224.395	223.305	225.484
2010		226.145		227.697		228.110		227.954		228.107		227.658	227.469	226.994	227.944
2011		229.981		234.121		233.646		234.608		235.331		234.327	233.390	232.082	234.698
2012		236.880		238.985		239.806		241.170		242.834		239.533	239.650	238.099	241.201
2013		242.677		244.675		245.935		246.072		246.617		245.711	245.023	243.894	246.152
2014		248.615		251.495		253.317		253.354		254.503		252.273	251.985	250.507	253.463
2015		254.910		257.622		259.117		259.917		261.019		260.289	258.572	256.723	260.421
2016		262.600		264.565		266.041		267.853		270.306		269.483	266.344	263.911	268.777
2017		271.626		274.589		275.304								273.306	

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Data extracted on: August 31, 2017 (3:02:41 PM)

CPI-Urban Wage Earners and Clerical Workers (Current Series)

Series Id: CWURA422SA0,CWUSA422SA0
 Not Seasonally Adjusted
Series Title: All items in San Francisco-Oakland-San Jose, CA, urban wage earners and clerical workers, not seasonally adjusted
Area: San Francisco-Oakland-San Jose, CA
Item: All items
Base Period: 1982-84=100

Download: [XLS](#) [XLSX](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2007		208.803		211.189		211.422		211.620		213.133		214.204	211.370	209.986	212.754
2008		214.913		217.913		221.454		221.385		221.192		213.685	218.441	217.487	219.396
2009		216.797		218.587		220.996		221.279		221.708		220.121	219.645	218.182	221.109
2010		222.049		223.821		224.185		224.195		224.352		224.152	223.624	223.012	224.236
2011		226.638		231.600		230.605		231.445		232.371		231.109	230.337	229.074	231.600
2012		234.648		236.626		236.890		238.445		240.864		236.454	237.097	235.572	238.622
2013		240.262		241.764		243.052		242.903		243.711		242.602	242.125	241.141	243.109
2014		245.148		247.932		250.085		249.877		250.508		247.680	248.326	247.097	249.555
2015		249.809		252.875		254.736		256.060		256.107		255.492	253.910	252.041	255.780
2016		257.141		259.386		261.017		262.326		264.026		263.222	260.830	258.715	262.946
2017		265.569		268.896		269.508								267.426	

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CPI-All Urban Consumers (Current Series)

Series Id: CUUR0000SETD, CUUS0000SETD

Not Seasonally Adjusted

Series Title: Motor vehicle maintenance and repair in U.S. city average, all urban consumers, not seasonally adjusted

Area: U.S. city average

Item: Motor vehicle maintenance and repair

Base Period: 1982-84=100

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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2007	219.262	220.530	221.160	221.508	221.999	222.553	223.487	224.019	224.302	224.939	225.672	226.120		
2008	227.732	228.731	229.765	230.528	231.730	233.162	234.788	236.125	237.121	238.227	239.048	239.356		
2009	241.076	241.689	242.118	242.649	242.488	242.683	243.031	243.494	244.493	245.393	245.511	245.417		
2010	245.567	245.969	246.624	247.355	247.311	247.635	247.536	248.390	249.231	249.824	249.872	250.134		
2011	250.726	250.851	250.820	251.458	252.376	252.529	252.769	253.337	255.244	255.774	255.663	255.644		
2012	256.405	256.968	256.616	256.544	257.372	257.629	257.423	257.641	258.024	258.578	258.943	258.845		
2013	259.752	260.234	260.156	260.341	261.065	261.360	262.229	262.497	262.960	263.085	262.934	263.081		
2014	263.718	264.523	264.146	264.508	265.013	265.656	266.282	266.129	267.256	268.094	268.389	268.588		
2015	268.869	269.136	268.907	269.948	270.764	270.981	271.175	270.838	271.119	271.804	272.090	272.967		
2016	273.097	273.072	273.980	274.864	275.331	275.563	276.058	275.923	275.331	275.645	277.348	278.002		
2017	279.523	279.782	279.600	280.170	280.388	279.294	279.605							

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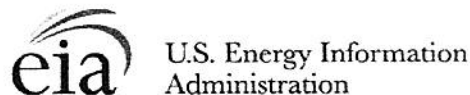
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Referring Pages:

- California Gasoline and Diesel Retail Prices
- Retail Prices for Ultra Low Sulfur Diesel

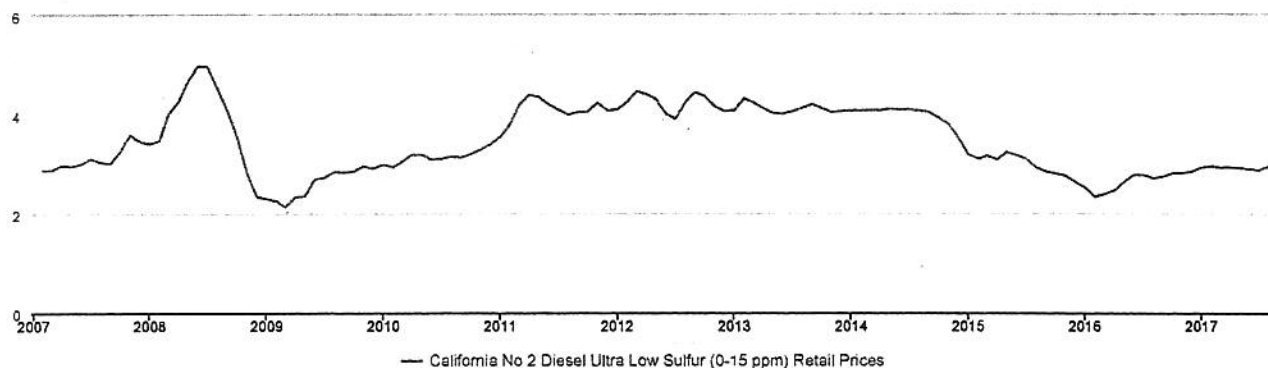
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California No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices

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Dollars per Gallon



Source: U.S. Energy Information Administration

Chart Tools

no analysis applied

This series is available through the EIA open data API and can be downloaded to Excel or embedded as an interactive chart or map on your website.

California No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007		2.886	2.885	2.985	2.964	3.019	3.123	3.049	3.024	3.267	3.608	3.475
2008	3.423	3.488	4.014	4.265	4.673	4.968	4.965	4.542	4.087	3.568	2.832	2.345
2009	2.297	2.260	2.139	2.336	2.354	2.697	2.734	2.850	2.837	2.856	2.962	2.913
2010	2.997	2.938	3.058	3.206	3.205	3.102	3.124	3.164	3.144	3.214	3.305	3.408
2011	3.560	3.804	4.187	4.400	4.362	4.213	4.106	4.009	4.057	4.059	4.245	4.095
2012	4.103	4.251	4.474	4.419	4.316	4.027	3.917	4.240	4.456	4.376	4.170	4.076
2013	4.083	4.325	4.245	4.134	4.040	4.023	4.068	4.138	4.209	4.134	4.048	4.073
2014	4.082	4.084	4.092	4.089	4.119	4.101	4.110	4.085	4.054	3.938	3.813	3.542
2015	3.212	3.110	3.182	3.098	3.254	3.192	3.115	2.935	2.850	2.814	2.768	2.644
2016	2.526	2.335	2.387	2.459	2.636	2.782	2.785	2.722	2.749	2.817	2.820	2.851
2017	2.932	2.957	2.935	2.938	2.922	2.895	2.876	2.959				

-- No Data Reported; -- Not Applicable; NA = Not Available; W = Withheld to avoid disclosure of individual company data.

Release Date: 8/28/2017
Next Release Date: 9/5/2017

Referring Pages:

- California Gasoline and Diesel Retail Prices
- Retail Prices for Ultra Low Sulfur Diesel

Montara
Index-Based Rate Adjustment Calculation
Calculation for Determining Rate Year 2018 Costs and Rate Adjustment Factor

	RY 2017 Costs	Increase %		RY 2018 Costs
CBA Labor Costs				
Salaries and Wages	371,845	3.48%		384,792
Pension Expense	35,110	6.84%		37,512
Health Insurance	151,353	3.32%		156,379
RSP	-	3.32%		-
Subtotal - CBA Labor Costs	558,308			578,683
Non CBA Labor Costs				
Salaries and Wages	68,184	3.00%		70,228
Pension Expense	2,229	3.00%		2,296
Health Insurance	11,679	3.00%		12,029
Subtotal - Non CBA Labor Costs	82,092			84,553
Workers Compensation				
CBA labor	35,954	3.34%		37,156
Non-CBA labor	431	3.34%		445
Subtotal - Workers Compensation	36,386			37,602
Payroll Taxes				
CBA labor	28,247	----		29,230
Non-CBA labor	5,889	----		6,065
Subtotal - Payroll Taxes	34,136			35,296
Vehicle-Related Costs				
Tires & Tubes	9,899	1.88%		10,086
Parts	29,667	1.88%		30,226
Supplies	9,085	1.88%		9,256
Taxes & Licenses	10,485	1.88%		10,683
Fines & Penalties	-	1.88%		-
Other	26,251	1.88%		26,745
Subtotal - Vehicle Related Costs	85,387			86,995
Fuel Costs	29,379	1.94%		33,712
			SB1 Transportation Tax (11/1/2017) \$ 3,763.90	
Organics Processing				
Total tons	-	3.34%	388.15 tons	-
Processing	11,515	\$29.92	\$30.92 per ton	12,002
Subtotal - Organics Processing	11,515			12,002
Lease Costs				
I/C Equipment Lease	38,424			36,134
I/C Property Lease	18,721			17,526
Subtotal - Lease Costs	57,145			53,660
Other Costs				
I/C Insurance	7,959	3.34%		8,225
Insurance Dept Fee	8,460	3.34%		8,743
O/S Equipment Rent	1,863	3.34%		1,925
O/S Facility Rent	44,667	3.34%		46,160
Building and Facility	2,564	3.34%		2,650
Utilities	1,158	3.34%		1,197
Travel & Meals	415	3.34%		429
Telephone	2,871	3.34%		2,967
Advertising	1,307	3.34%		1,351
Promo & Special Events	1,113	3.34%		1,150
Donations	-	3.34%		-
Dues & Subscriptions	367	3.34%		380
Uniforms	2,644	3.34%		2,732
Employee Recognition	401	3.34%		414
Employee Training & Development	196	3.34%		202
Billing Service	7,704	3.34%		7,961
Office expenses	2,468	3.34%		2,551
Postage	1,272	3.34%		1,315
Initial Bid/Award Fee	-			-
Taxes - Secured Property	2,007	3.34%		2,074
Taxes - Unsecured Property	2,739	3.34%		2,831
Annual Clean-ups	-	3.34%		-
Subcontractors/Professional Services	5,090	3.34%		5,261
Settlement Fees	-	3.34%		-
Safety Meetings	-	3.34%		-
Medical expenses	577	3.34%		596
Bad Debt	5,060	3.34%		5,229
Bank Service Charges	2,800	3.34%		2,894
Community Outreach	168	3.34%		174
Regional Accounting Fees*	7,692	3.34%		7,949

Regional Management Fees*	11,477	3.34%				11,860
Corporate accounting*	8,986	3.34%				9,287
IT fee*	21,275	3.34%				21,986
Environmental compliance*	2,377	3.34%				2,457
Human resources fee*	6,782	3.34%				7,009
Corporate management*	7,774	3.34%				8,033
Public relations*	1,281	3.34%				1,324
Subtotal - Other Costs	173,515					179,314
Total Annual Cost of Operations	1,067,862					1,101,816
Profit (% Operating Ratio; i.e. 90%):	118,651					122,424
Pass-Through City Fees						
Franchise Fees	27,039					28,775
Frontierland Park Fee Remediation						-
Contingent Fee						-
AB939 Regulatory Fee						-
Subtotal - City Fees	27,039					28,775
Other Pass-throughs						
HF&H Fees						
Other Pass-throughs - Recyclable Material Processing			Tons	2017	2018	
Transfer Costs	8,589	3.34%	1,164.97	\$7.17	\$7.41	8,632
Transport Costs	29,302	3.34%	1,164.97	\$24.46	\$25.28	29,448
Subtotal - Recyclable Material Processing	37,891					38,080
Other Pass-throughs - Disposal	138,387				2,663.03 Disposal Tons	147,661
					\$ 54.82 per ton	
Total Costs	1,389,830	A				1,438,757

1,389,830

Annual Change in Compensation (B - A) 48,926
Annual Percentage Change in Compensation ((B - A)/ A) 3.52%

Montara
Index-Based Rate Adjustment Calculation
Calculation for Determining Rate Year 2018 Costs and Rate Adjustment Factor

	RY 2017 Costs	Increase %		RY 2018 Costs
CBA Labor Costs				
Salaries and Wages	371,845	3.48%		384,792
Pension Expense	35,110	6.84%		37,512
Health Insurance	151,353	3.32%		156,379
RSP	-	3.32%		-
Subtotal - CBA Labor Costs	558,308			578,683
Non CBA Labor Costs				
Salaries and Wages	68,184	3.00%		70,228
Pension Expense	2,229	3.00%		2,296
Health Insurance	11,679	3.00%		12,029
Subtotal - Non CBA Labor Costs	82,092			84,553
Workers Compensation				
CBA labor	35,954	3.34%		37,156
Non-CBA labor	431	3.34%		445
Subtotal - Workers Compensation	36,386			37,602
Payroll Taxes				
CBA labor	28,247	----		29,230
Non-CBA labor	5,889	----		6,065
Subtotal - Payroll Taxes	34,136			35,296
Vehicle-Related Costs				
Tires & Tubes	9,899	1.88%		10,086
Parts	29,667	1.88%		30,226
Supplies	9,085	1.88%		9,256
Taxes & Licenses	10,485	1.88%		10,683
Fines & Penalties	-	1.88%		-
Other	26,251	1.88%		26,745
Subtotal - Vehicle Related Costs	85,387			86,995
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