



# Agenda Report

**Date:** April 13, 2017  
**To:** West Contra Costa Integrated Waste Management Authority Board  
**From:** Stan Hakes, Executive Director  
**Subject:** Financial and Disposal/Diversion Impact of Richmond Potential Withdrawal from RecycleMore

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## ACTION REQUESTED

1. Receive and file Final Letter Report on Withdrawal Study by R3 Consulting Group, Inc.
2. Provide Direction to Legal Counsel and Staff.

## BACKGROUND

At the December 20, 2016 Richmond City Council meeting, the City Council discussed a staff recommendation to initiate actions for possible withdrawal from RecycleMore. Staff understands Richmond may withdraw due to their significant concerns with provisions of a draft Updated Joint Exercise of Powers Agreement (JEPA). The City Council approved staff's recommendation, but further directed staff to attempt to negotiate a resolution with RecycleMore to address the JEPA issues of concern identified in the staff report. The approved motion also stated that any action to formally withdraw from RecycleMore would require additional City Council consideration and approval.

On December 23, 2016, the Richmond City Manager communicated Richmond's concerns in a letter and indicated that Richmond's determination as to whether it would withdraw from RecycleMore was dependent on whether those concerns were satisfactorily addressed in the JEPA Update process.

On January 20, 2017, the Board directed staff to hire a consultant to conduct a study and report on the financial and disposal/diversion impacts of Richmond (potentially) withdrawing from RecycleMore. R3 Consulting Group, Inc. (R3) was hired to conduct this study and write the report. The study has been completed and R3 has provided a financial impact and disposal/diversion report. (See Attachment 1 for copy of the report).

## COMPETING ITEMS UNDER CONSIDERATION

There are two major items being considered by the RecycleMore Board at this time: 1) Updating the Joint Exercise of Powers Agreement (JEPA), and 2) Considering the implications of Richmond potentially withdrawing from RecycleMore.

In the course of receiving JEPa questions and comments, two additional items have been added to the discussion: 3) the Post-Collection Agreement (PCA) between RecycleMore and Republic, and 4) the rate setting methodology used by RecycleMore to allocate PCA revenue requirement (costs) to the residential, commercial and industrial rate payers.

Information and context on all four of these items is important for Board understanding and deliberation. This report is intended to help the Board address Item 2 (considering the implications of Richmond potentially withdrawing from RecycleMore) and Item 4 (rate setting methodology concerns expressed by Richmond).

## **SUMMARY OF FINANCIAL IMPACT AND DISPOSAL DIVERSION REPORT**

Highlights of the R3 Consulting Report include:

1. Financial Impacts of Richmond Withdrawal for Remaining Member Agencies Are Estimated to be Seven Percent or Less for Residential Customers

R3 has calculated estimates of the Authority Annual Budget and Household Hazardous Waste (HHW) Program costs, and changes in Recycling Rebate revenue, under the Richmond only withdrawal scenario and under a scenario whereby both Richmond and El Cerrito withdraw. Based on these additional costs and revenue changes, R3 estimates residential monthly rates (for a 35 gallon garbage container) for those member agencies remaining with RecycleMore would increase between \$0.48 and \$2.24 per month. The high-end estimate would keep funding levels for the RecycleMore and HHW Budgets at current levels for the remaining RecycleMore Member Agencies. For the average monthly ratepayer in the RecycleMore service area, an increase of \$0.48 per month represents a monthly increase of about 1.5% of the total bill; at an increase of \$2.24 per month, the percentage increase is approximately 7% of the total bill.

2. Financial Impacts of Richmond Withdrawal on Richmond Ratepayers Would Depend on Future Richmond Decisions

The R3 report notes there are five categories of costs that make up the Post-Collection rate: 1) Material Specific; 2) Government Fees; 3) RecycleMore (Annual Budget); 4) HHW Programs; and 5) Recycling Rebate. The R3 report provides cost estimates for three of these categories (Material Specific, Government Fees and Recycling Rebate), and then calculates an estimated cost per ton of \$79.45 for these three categories. The report notes Richmond could "set its own post collection rates that were equal to the prior RecycleMore Post-Collection Rates," then Richmond could direct Republic to collect those rates and remit them to the Agency (Richmond) for the purposes of funding HHW programs and former RecycleMore responsibilities.

3. Diversion Impacts Would Not Be Significant

RecycleMore's most recently reported equivalent diversion rate is 68%. R3 estimates this most recent RecycleMore equivalent diversion rate would change to 67% if Richmond withdraws and to 66% if Richmond and El Cerrito withdraw. Richmond's equivalent diversion rate of would be 70% if Richmond withdraws and El Cerrito's equivalent diversion rate of would be 69% if El Cerrito withdraws. RecycleMore and all member agencies would remain above the 50% State diversion requirement, and would be close to the State goal of 75%.

4. Current Allocation Methodology Does Not Have a Significant Cross-Jurisdictional Impact

R3 has calculated costs to each jurisdiction as if a “total tons” allocation were used, rather than the current allocation method. R3 estimates Richmond ratepayers would pay about \$315,000 less under the “all tons” allocation methodology on a \$13.69 M annual revenue costs/revenue stream. This is about 2.3% of the overall revenue generated by the Blended Per Ton Rate charged by Republic, and about 4.1% of the revenue generated by Richmond tons. R3 also estimates County ratepayers would pay about \$240,000 more under the “all tons” allocation method on a \$13.69 M annual revenue costs/revenue stream. This is about 1.8% of the overall revenue generated by the Blended Per-Ton Rate charged by Republic, and about 14% of the revenue generated by County tons.

5. Current Allocation Methodology Has a Significant Cross-Sector Impact

The current allocation methodology recovers costs almost entirely on disposed tons, and charges very little for recycled and recovered tons. For example, the residential sector has a significant amount of recycling and organics tons, which are weighted less as accounted for under the current system. The blended rate per ton is \$91.08, and the cost per ton of garbage, dry waste and C&D is \$137.90 in all three sectors. However, R3 estimates the Industrial sector pays about \$1.3M more in the current allocation method compared to an allocation methodology that uses all tons for cost recovery. Similarly, the commercial sector pays about \$500,000 more in the current allocation method compared to an allocation method using all tons for cost recovery. Finally, R3 estimates the Residential sector pays about \$1.8M less in the current allocation methodology compared to an allocation method using “all tons” for cost recovery.

6. HHW Programs Could Continue in a Similar Manner as Provided Now

R3 Consulting finds that the Post-Collection Agreement provides for usage of the HHW facility, even in the event of withdrawal, should Richmond or Richmond and El Cerrito decide to withdraw. There are several potential avenues for future provision of HHW services at the HHW facility for remaining and withdrawing Member Agencies. One primary alternative identified by R3 would be to continue services for all member agencies at the HHW Facility at WCRR using RecycleMore permits and RecycleMore would continue to be the “generator of record.” Other alternatives suggested during the study include withdrawing agencies contracting directly with Republic (and becoming their own “generator of record”), or a hybrid of both of the aforementioned alternatives. RecycleMore, any withdrawing Agency, and Republic would have to determine the exact contractual and financial mechanisms of providing future HHW services for all parties.

## **FISCAL IMPACT**

As noted in the R3 Consulting report, R3 has calculated estimates of the Authority Annual Budget and Household Hazardous Waste (HHW) Program costs, and changes in Recycling Rebate revenue, under a scenario whereby Richmond only withdrawals, and under a scenario whereby both Richmond and El Cerrito withdraw. Based on these additional costs and revenue changes, R3 estimates residential monthly rates (for a 35 gallon container customer) would increase between \$0.48 and \$2.24 per month, based on current financial, tonnage, and subscription information. Exact changes in rates will vary slightly depending on changes to these factors prior to potential withdrawal.

**RECOMMENDED ACTION**

1. Receive and file Final Letter Report on Withdrawal Study by R3 Consulting Group, Inc.
2. Provide Direction to Legal Counsel and Staff.

Submitted by:

A handwritten signature in black ink, appearing to read "Stan Hakes", written over a horizontal line.

Stan Hakes  
Executive Director

Attachment 1: Financial Impact and Disposal/Diversion Report Prepared by R3 Consultants (including R3 Consulting Attachments A, B, D, E, F and Attachment C)