
To: City of Oakland
From: R3 Consulting Group, Inc., Ric Hutchinson
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Subj: Refuse Rate Index (RRI)

Here is a summary of how the RRI works

The RRI uses national or state indices that can be adjusted to local regions. It reflects the changes to the costs that are specific to the waste collection, processing and disposal industry. In addition, it can be tailored to each contractor to take into account the difference in operational costs of each contractor caused by factors such as rural vs. urban service areas or the difference in disposal costs.

The majority of these indices come from the Bureau of Labor Statistics (BLS) and are available on their website. In those instances when we use the California #2 Diesel index, it comes from the California Energy Information Administration and can also be obtained from their website.

Typically, the RRI is broken down into the following categories:

1. Labor – Service Producing Industries (This is a federal index keyed to wages for service producing jobs with a subset for jobs related to sanitary services which includes solid waste.);
2. Diesel Fuel - #2 Diesel Fuel (Federal or California Index);
3. Vehicle Replacement – Truck and bus bodies sold separately; (Federal Index)
4. Vehicle Maintenance – Parts and attachments for industrial work trucks (Federal Index) mfg.; and
5. All Other – Regional Consumer Price Index.

Each year the contractor turns in a set of internally prepared financial statements that are broken into the basic categories.

Using the costs presented in the internally prepared financial statements, the weight of each category is developed as a percentage of the total costs to determine the weighted percentage for that category. The change in each category index for the last year is determined and multiplied by the weighted percentage for each category. The sum of these numbers is the RRI for the year.

The following tables provide an example of the weighting and a Refuse Rate Index calculation.

Refuse Rate Index		
Sample Financial Data Weighting	2011	
	Actual	Weighted Percentage
Labor	\$ 3,563,988	45.69%
Fuel	\$ 1,271,460	16.30%
Vehicle Replacement	\$ 273,013	3.50%
Vehicle Maintenance	\$ 1,088,931	13.96%
All Other	\$ 1,602,975	20.55%
Total	\$ 7,800,367	100%

REFUSE RATE INDEX SAMPLE CALCULATION SHEET					
<u>Item #</u>	<u>Category</u>	<u>Data Source</u>	<u>% Change</u>	<u>Item Weight</u>	<u>Weighted Percentage Change</u>
1	Labor	Series ID: ceu6056210008 Service Producing Industries:	2.19%	45.69%	1.00%
2	Diesel Fuel	Series ID: WPU057303 #2 Diesel Fuel	4.74%	16.30%	0.77%
3	Vehicle Replacement	Series ID: pcu336211336211 Truck and bus bodies sold separately	6.79 %	3.50%	0.24%
4	Vehicle Maintenance	Series ID: pcu3339243339243 Parts and attachments for Industrial work trucks.	1.16%	13.96%	0.162%
5	CPI All Items	Series ID: CUURA422SA0 CPI-All Urban Consumers, All Items Bay Area	1.70%	20.55%	0.35%
Total RRI Adjustment				100.00%	2.52%

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There are several advantages to using the RRI Index methodology:

- It is fair to both the contractor and the public since it calculates a rate adjustment based on the specific circumstances of each contractor;
- It produces a rate increase or a rate decrease as appropriate based on the economic circumstances;
- It is easy to tailor the indices to reflect changes in costs in specific areas of the country;
- It does not require extensive rate reviews and negotiations;
- It is simple to use and requires minimal administrative time to get the index changes and calculate the rate adjustment;
- There is no additional cost for consultants or CPA's to review financial documents;
- It allows the contractor to run their business as they see fit;
- It allows the jurisdiction to focus on service quality; and
- It produces fair and equitable rates.

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