

December 12, 2023

Mr. David Jacobs
Director of Public Works
City of Salinas
200 Lincoln Avenue, Salinas, CA 93901
submitted via: davidj@ci.salinas.ca.us

SUBJECT: Performance Review of Republic Services

Dear Mr. Jacobs,

R3 Consulting Group, Inc. (R3) is pleased to submit the attached proposal to provide a Performance Review of the Solid Waste Franchise for the City of Salinas (City).

In response to the City's request, we have created our scope of work and budget for this engagement to specifically address all items (operational performance, franchise agreement compliance, and financial compliance) covered under a standard performance review, as stated in the franchise agreement. It also includes focused assessments on overweight vehicles and staffing dating back to the agreement start date and performance of said staffing through 2023. In addition to the Performance Review, we have included an extra task that involves identifying corrections and clarifications to the franchise agreement (Agreement). as well as potential enhancements to the Agreement and any related negotiations.

Please note: R3 conducted a Performance Review of Republic in 2018 and identified several areas of opportunity for improvement. R3 will use those identified areas as a barometer and provide an update on the status.

Project Team

Ryan Calkins, Director, will serve as Project Lead and primary point of contact for this engagement. He will be directly supported by **William Schoen**, Sr. Director, as well as **Jordan Muratsuchi**, Sr. Consultant, **Maryann Hulsman**, Consultant, and **Angela Micheletti**, Associate Consultant. **Scott Hanin**, Principal, will provide additional support and oversight.

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We appreciate the opportunity to submit our proposal to the City of Salinas. Should you have any questions regarding our proposal or need any additional information, please feel free to reach out directly.

Sincerely,



Ryan Calkins | *Operations Director*
R3 Consulting Group, Inc.
559.917.3829 | rcalkins@r3cgi.com

BACKGROUND

For purposes of conducting this Performance Review, we have organized our review according to the following four (4) Performance Review components:

1. Contract Compliance and Regulatory Compliance Review (Task 2);
2. Operational Performance Review (Task 3);
3. Analysis of Overweight Vehicle Occurrences and Operations Staffing (Task 4); and
4. Billing/Financial Audit (Task 5).

Intended areas of review may include:

- a. Compliance with the terms of all sections of the Franchise Agreement and applicable federal and state laws.
- b. Overall organizational structure and management systems and procedures.
- c. Efficiency of collection operations . including an analysis of routes, schedules, and the impact of franchise requirements; visual inspections of routes before and after collection to evaluate cart placement and cleanliness and condition of streets, sidewalks, and street trees; review of missed-pickup records to identify and report statistics of chronically missed customers by customer type and services reviewed; and review of incidental services such as no-charge backyard service, where possible.
- d. Process and accuracy of contamination monitoring procedures and outreach effectiveness, including, but not limited to the video monitoring system, site assessments, and corrective action measures.
- e. Staffing practices, including the deployment of management and supervisory personnel.
- f. Financial management practices, including WM's billing and collection system and its policies with regard to uncollected customer accounts, and review of WM's monthly, quarterly, and annual reports and of rate adjustment requests for accuracy and completeness.
- g. Completeness and accuracy of monthly reports of disposal and diversion tonnages and of narrative information in monthly, quarterly, and annual reports (e.g., summaries of complaints and compliments recorded).
- h. Employee job and safety training, and management of hazardous waste.
- i. Procedures for receiving and resolving customer and service recipient complaints and concerns, including the responsiveness of customer service representatives to customer inquiries, requests, and complaints; courteousness of representatives; accuracy of information given; and willingness and ability to resolve complaints.
- j. Procedures for the maintenance, safety check, and replacement of equipment.
- k. Utilization, safety, and suitability of facilities, equipment, and personnel.
- l. Comparison with practices of businesses deemed similar to those of Republic with respect to operations similar to those required by the Franchise Agreement for jurisdictions similar to the City of Salinas. Republic shall supply adequate information on operations for other jurisdictions that it deems comparable, including, but not limited to, for each category of service rates charged, number of customers, annual revenues line-item costs, and profit.

APPROACH

Our approach to determining Republic's compliance with its contractual requirements (Task 2) relies heavily on Republic providing documentation supporting its compliance. Requiring Republic to provide supporting documentation serves one of two purposes with respect to each item under review:

- If supporting information is available, it provides the basis upon which to assess Republic's compliance with that particular requirement; or
- If supporting information is not available, it identifies the fact that Republic is not monitoring and managing its compliance with a particular contractual requirement. In such cases, that finding can serve as a basis for recommendations for new pro-active contractual reporting requirements to be incorporated into a new or amended agreement.

Our request for supporting documentation from Republic will utilize a Compliance Checklist that identifies various objective contractual requirements and performance standards and associated information requested from Republic in support of their compliance with each applicable requirement.

Our approach to the Operational and Performance Review portion of the project (**Task 3**) draws heavily upon the hands-on operational experience of R3's project staff. As noted elsewhere, we will pay particular attention to Republic's safety and customer service performance. Our onsite observations will begin with Republic's pre-trip inspection process and the morning roll-out of the fleet. We will observe collection operations and assess the effectiveness of the interaction of route supervisors and customer agents with route drivers. Missed collection protocols and performance, and contamination monitoring policies, procedures and performance will be reviewed, along with support functions including public education and outreach and fleet maintenance. We will also review the supporting basis for Republic's reported diversion rates. As appropriate, recommendations will be made for improving Republic's performance and/or reporting in support of the City's ability to more easily and effectively assess Republic's operational performance on an ongoing basis.

Our **Task 4** Analysis of Overweight Vehicle Occurrences and Operations Staffing will assess the extent to which Republic has addressed ongoing issues identified by the City as major areas of concern. That review will begin with a request to Republic to provide a listing of all overweight occurrences since the beginning of the Agreement. The staffing assessment will require that Republic provide an organizational chart that includes at a minimum: employees, date of current title, and date of employment with Republic. Our review of overweight vehicles will provide a trend over time and will also be compared against the findings from the 2018 Performance Review. The staffing analysis will be compared against the contractual obligations of the Agreement.

Our **Task 5** Billing/Financial Audit will assess the extent to which Republic is correctly charging the appropriate rate for a given service level and if it is charging for any services or service levels not listed on the City's approved rate schedule. We will do this through our review of a recent complete residential and commercial billing cycle. That review will begin with a request to Republic to provide a listing of individual customer service levels and monthly rates billed. That information will be compared to the City's approved rate schedule and an assessment made as to the accuracy and appropriateness of Republic's billings. We will also review Republic's handling of delinquent accounts, and level of bad debt. As part of this task, we will also review the most recent rate adjustment request to determine if it is accurate and complies with the requirements of the Agreement. Our review of franchise fee payments will be based on a comparison of those payments to the calculated amounts due the City per Republic's audited financial statements. This will account for any errors and/or adjustments to the reported revenues that served as the monthly basis for those fee payments.

Our **Task 7** Recommend Modifications to Agreement and Negotiation Assistance involves a comprehensive review of the Agreement to correct any errors and ambiguities, and to identify potential changes to existing contract language that may be of benefit to the City. Negotiations may be necessary to incorporate recommended changes to the Agreement.

SCOPE OF WORK

Task 1: Data Collection and Kick-off Meeting

Task 1.1 - Document Request and Review

Upon authorization to proceed, R3 requests that the City provide the following information, as available:

From City:

1. Current solid waste ordinances and resolutions.
2. Current Franchise Agreement (Agreement) and all amendments.
3. Correspondence between the City and Republic regarding any relevant contractual matters (e.g., service complaints, financial issues, administrative charges).
4. Quarterly Reports since the beginning of the Agreement;
5. Annual Reports since the beginning of the Agreement, including reviewed financial statements.
6. The City's approved rate schedule.
7. Accounting of Franchise Fees and any other applicable payments received from Republic.
8. CalRecycle Annual Report for 2022 and 2023 (if available).
9. CalRecycle Form 303 Household Hazardous Waste Report for 2022 and 2023 (if available).
10. Notifications to assess liquidated damages, if any, and any other information related to the findings associated with those notices.
11. 2023 annual rate adjustment requests and any supporting analyses, documentation, and Council approval documents.

From Republic:

The following is an initial request for information from Republic. Upon authorization to proceed, R3 will prepare its Compliance Checklist (see Task 2) that shall include requested documentation from Republic in support of its compliance with each of the identified contractual requirements. Unless otherwise noted, requested information is needed for the term of the Agreement, as applicable.

General Information

1. Organizational Chart and all applicable names and job descriptions. Including date of title and hire date for each employee.
2. List of daily routes by line of business.
3. List of safety, maintenance, operational, financial, and other performance metrics that are tracked; and historical results relative to those metrics.

Safety

4. Name of safety officer and frequency of training.
5. New hire and refresher training program documentation.
6. Copies of annual training schedules and documentation of training completed.
7. Workers' compensation and on-the-job injury summaries (OSHA Form 300 and Form 300A)
8. Historical TRIR, DART, and VARR rates and historical results for any other safety metrics tracked (e.g., HARR) for the site, and comparison to Republic corporate rates for those benchmarks.
9. Policies and procedures for monitoring overweight vehicles.
10. A list of all overweight vehicles, including the date, commodity, and amount each vehicle was overweight.
11. Supervisor route observation policies and procedures.

Vehicles / Vehicle Maintenance

12. Vehicle list, including vehicle type, fuel type, vehicle legal load weights, and vehicle replacement schedule.
13. Copies of Biennial Inspection of Terminus (BIT) inspections for past 2 years.

Collection Operations

14. Employee handbook, policies and procedures, safety handbook, employee manuals and/or work rules.
15. Record of collection for the Residential and Multi-Family Large Item Collection (date service requested, date service received, CY collected, etc.) for selected audit months: Q2 2023.

16. Description of routing/mapping software used and any monitoring software (GPS/GIS) used, if applicable.
17. Documentation of any Regulatory Violations.
18. Copies of all management reports that are regularly produced.
19. Vehicle maintenance records (Access to vehicle file jackets and maintenance tracking during onsite visit).
20. Vehicle spill log for the last 12 months.
21. Contingency Plan for service interruptions.
22. Copy of a non-service warning tag (aka incorrect setouts).
23. Record of use of non-service warning tag(s) for past 2 years.
24. Copy of HHW waste manifests, waste characterizations, inspection records, incident reports, and training records for past 2 years.

Customer Subscription, Billings, and Fee Payments

25. Excel file with customer subscription levels detailing customer service level, billing rate, service address, day of service, and special categories such as on-premise service, key service, etc. (SFD, MFD, Commercial, City, etc.).
26. A complete list of billing codes.
27. A listing of all commercial accounts with weekly solid waste, recycling, and organic service levels, and percentage of commercial solid waste accounts with: (a) recycling service; and (b) organic service.
28. Current route maps by service day (residential).
29. Roll-off permanent customers with addresses.
30. Historical diversion and disposal tonnages by material stream, line of business (residential, commercial, roll-off) and program (e.g., residential curbside, residential organics, commercial recycling, C&D recovery, etc.); and supporting documentation for 2022 and 2023 reported diversion rates.
31. Audited financial statements supporting annual "Gross Rate Revenues" for 2022 and 2023.

Customer Service and Public Education and Outreach

32. Customer complaint log for selected audit months: Q2 2023.
33. Copies of filed service complaints w/ resolutions for selected audit months: Q2 2023.
34. Record of all noise complaints w/ resolutions for the past 2 years.
35. Missed pickup records since the start of the agreement.
36. Emails, letters, or other logs from Salinas residents expressing thanks/good service for the past 5 years.
37. Public education and outreach materials provided to the public, including materials provided to customers regarding HHW services 2022 and 2023; and

Facilities

38. List of any facilities used for processing and/or disposing of materials collected within the service area.

Some of the above-listed items can be reviewed on-site.

Task 1.2 - Meetings

Task 1.2.1 - Project Kick-off Meeting

R3 will facilitate a Project Kick-off Meeting with designated representatives of the City. The meeting will provide an opportunity to review the project objectives, R3's project approach, schedule, and budget, and discuss data availability.

We suggest that the Project Kick-off Meeting begins with R3 and City staff and later, if City wishes, invite Republic to join the meeting. Prior to the Project Kick-off Meeting with the City, R3 will prepare an agenda and submit it to the City for review. A primary objective of the Kick-off Meeting will be to review specific issues of concern to the City and discuss R3's work scope and approach, among other things.

Task 1.2.2 - On-going Coordination / Meetings

Starting with the Project Kick-Off Meeting, R3 will coordinate with City staff and Republic throughout the project, with respect to scheduling meetings, conducting our on-site review(s), discussing our review and information requests, and reviewing our preliminary findings as they are developed.

Task 1 Deliverables

- Review of available information; and
- Facilitation of one virtual (1) Project Kick-Off Meeting.

Task 2: Franchise Agreement Compliance Review and Regulatory Compliance Review

R3 will document and review the major objective items in the Agreement that require, among other things, that Republic provide specific services, meet specific performance standards, track and document information, and submit payments, information, or reports.

The following are examples of items that will be reviewed, as listed in the Agreement:

- Hours of Collection (Agreement Section 8.01.2).
- Public Outreach and Education Services (Agreement Section 16.01.3).
- Customer Service (Agreement Section 20.01).
- Billing (Agreement Section 4).
- Payments to City (Agreement Section 3.05).
- Quarterly and Annual Reporting (Agreement Sections 18.02 and 18.03).
- Insurance Scope and Limits (Agreement Section 23).

We will also review elements related to service, such as:

1. **Scope of Services major requirements related to:**

- Refuse Collection.
- Recyclable Materials Collection.
- Green Waste Collection.
- Recyclable Materials Processing and Marketing.
- Green Waste and Food Waste Processing and Marketing.
- Contamination.
- Christmas Tree Collection.
- Residential and Multi-Family Large Item Collection.
- Backyard Service for Disabled Residential Customers.
- Collection Services for City Buildings.
- Collection from City Cans.

2. **Performance Standards major requirements related to:**

- Company Standards.
- Collection Containers.
- Collection Vehicles.
- Collection.
- Collection Routes.
- Collection Requirements.
- Personnel.
- Recyclable Materials Processing and Marketing.

To structure our review, we will develop a Compliance Checklist that will list the major objective contractual requirements to be assessed as part of the Performance Review, along with requested documentation from Republic supporting its compliance with the applicable requirements.

Task 2.2 - Regulatory Compliance Review

Our review of Republic's regulatory compliance will include a review of the following:

- OSHA Forms 300 and 300A.
- California Highway Patrol BIT Inspections.

As part of this task, we will also review the status of Republic's efforts in support of the City's compliance with SB 1383.

Task 2 Deliverables

- Findings and recommendations for Task 2 to be included in the Task 6 Draft and Final Reports.

Task 3: Operational Performance Review

The Key Questions R3 will seek to answer for the City in regard to Republic's operational performance include:

- Does Republic's solid waste collection operation have an effective, documented safety program in place, that prioritizes, enforces, and manages safety for both its employees and the public?
- How well does Republic's solid waste collection operation communicate with, respond to, and satisfy the needs of its residents?
- How efficiently does Republic's solid waste collection operation utilize its resources to maximize waste collection effectiveness and minimize missed collections?
- Is Republic submitting accurate payments to the City, and are City residents being charged appropriately for services received?
- Is Fleet Maintenance effectively maintaining the solid waste collection and support vehicles, conducting the required preventative maintenance within the prescribed schedules, and delivering to collections safe and well-maintained vehicles on a daily basis sufficient to support all daily routes?
- How well is the Republic's solid waste collection operation leveraging current waste-specific technologies to enhance operational safety, customer service, and productivity?

In order to provide the City with the answers to the Key Questions above, R3 has developed the following subtasks.

Task 3.1 - Management and Administration Review

This task will provide the City with an assessment of the effectiveness of Republic's management and administrative systems, and identify potential changes or improvements to management practices, policies, and procedures. This task will include, but is not necessarily limited to, review of the following items:

- Overall organizational structure and management systems and procedures.
- Staffing practices, including the deployment of management and supervisory personnel.
- Personnel management practices, including compensation policies and the resolution of employee grievances.
- Employee job and safety training, and management of Hazardous Waste.
- Utilization of management and facilities, equipment, and personnel.
- Staffing ratios, including the ratio of customers to management staff, supervisors, dispatchers, drivers, maintenance personnel, customer service and billing representatives, etc.
- Data tracking and reporting procedures, including what data is continuously tracked and how data are used to manage the collection operations.
- Employee management policies and procedures.

In conducting this task, we will meet with management and supervisors of Republic and review the structure and staffing of their management and administrative systems and operations. We will also interview various front-line staff. Policies and procedures will be reviewed with a focus on how those policies and procedures are implemented and the associated training that is provided to staff. We will also review if and what performance benchmarks have been established and the historical performance relative to those benchmarks.

Systems for collecting and reporting data will also be reviewed. As part of that process, we will request and review all management reports that are regularly produced, identify who receives that data, how it is used, and to what extent Republic conducts diagnostic reviews based on that data to identify areas that need

improvement. We will also review management's business planning processes, and if and how Republic establishes and executes operational and other priorities.

Task 3.2 - Collection Operations Review

As part of this task, we will provide the City with an assessment of the effectiveness of Republic's collection operations and determine if Republic has an effective driver training program and if they have a reasonable number of route supervisors. Additionally, we will gauge the effectiveness of route supervision, if Republic is actively monitoring driver performance, and whether drivers are providing collection services in a safe and effective manner and adhering to the associated requirements of the Agreement. This will also tie to Task 3.4.

This task may include, but is not necessarily limited to, a review of the following items:

- Review of the efficiency of collection operations, including an analysis of routes, schedules, and the impact of Franchise requirements.
- Field observations/route audits of Republic's residential collection services, including driver start and end times and a visual inspection of residential routes before and after collection to evaluate cart placement, correlation of billing records to containers on-site, cleanliness of streets, and physical condition of streets and sidewalks.
- Field observations/route audits of Republic's commercial collection services, including driver start and end times and a visual inspection of commercial routes before and after collection to evaluate bin placement, correlation of billing records to containers on-site, cleanliness of streets, and physical condition of streets and sidewalks.
- Review of missed pickup records.
- Review of incidental services.
- Review of worker training program(s).
- Review of supervisor roles and responsibilities.
- Review the current route to supervisor ratio.
- Review of vehicle load weights and procedures for tracking and addressing overloaded vehicles.

Our Collection Operations Review will start by reviewing the vehicle and crew configurations used to provide franchised services, the schedules for those services, and the macro-routing and micro-routing structures. We will also assess the overall collection system productivity and the basis for establishing daily productivity targets. The systems for communication between route drivers and customer service representatives will also be reviewed, including what, if any, on-board computer systems are being used. The interviews and interactions with Republic route supervisors that are initiated as part of our Initial Review will be continued as part of this task. Driver interviews may also be conducted.

Task 3.3 - Customer Service Review and Financial Management Practices Review

This task will cover the following items:

- Financial Management practices, including the Contractor's billing and collection system, and its policies regarding uncollected Customer accounts.
- Procedures for receiving and resolving Customer and Service Recipient complaints and concerns.

R3 will review the current customer service functions and structure utilized by Republic, and their financial management practices specific to Republic's billing and collection system, and its policies with regards to uncollected customer accounts. This will include the protocol for addressing customer complaints, and service interruption procedures. Complaint logs will be reviewed and classified into complaint categories, if not already delineated, and missed-pickup records will be reviewed to identify and report statistics of chronically missed customers by customer type and service rendered.

We will also review the responsiveness of Republic's customer service representatives to customer inquiries, requests and complaints, average telephone response times, courteousness of representatives, accuracy of information given, and willingness and ability to resolve complaints where applicable.

As part of this task, R3 will conduct separate interviews with customer service and billing staff. During these interviews, we may review the internal organizational processes for the following customer service and billing functions:

- Data exchange and communication between customer service, routing, marketing/sales, billing, and operations.
- Responding to calls from residential and commercial customers regarding inquiries for new service.
- Establishing new customer accounts in the billing system.
- Coordinating delivery of refuse and recycling bins or carts.
- Establishing service level and collection frequency for new accounts.
- Establishing start-dates and service initiation for new accounts.
- Establishing end-dates and service termination for closing accounts.
- The processes and procedures for addressing customer complaints and calls, including missed collection, broken or stolen carts, etc.
- How special billing arrangements for non-standard services are completed.
- Resolving delinquent payment (uncollected) Customer accounts.
- Resolving billing inquiries and complaints.
- Generating and updating route lists.
- Processing and closing work orders in the customer service system.
- Tracking of bin placement by number and address.
- Confirming delivery of bins, or carts.

Task 3.4 - Vehicle and Equipment Maintenance, Repair and Replacement Review

The primary objective of this task is to determine if Republic maintains vehicles and equipment in a safe operating condition.

The vehicle and equipment maintenance, repair and replacement review may include, but is not necessarily limited to the following tasks:

- Procedures for the acquisition, maintenance, safety check, and replacement of equipment.
- Review routine maintenance procedures and schedules for residential collection and commercial collection vehicles.
- Review of utilization, safety, and suitability of facilities, and equipment.
- Review of procedures for maintenance, safety check, and replacement of equipment.
- Review pre- and post-trip inspection practices, and communication between drivers, dispatchers and maintenance personnel.
- Review historical BIT results.
- Review any established performance benchmarks and performance relative to those benchmarks such as the following, and: Required Preventative Maintenance services completed within ten percent (10%) of the due date miles.
- Fleet availability percentage.
- Assessing the general appearance of Republic's fleet.

Our review of Republic's vehicle maintenance functions will be conducted through both a review of available information and on-site field work. One of the first things we will do is establish the reasonableness of the level of maintenance staffing, and the scheduling of maintenance functions (e.g., single-shift, swing shift). We will also interview maintenance management and document existing performance standards (benchmarks), the process for tracking performance against those standards, and historical performance.

Task 3.5 - Assessment of Performance Monitoring and Benchmarking Systems

This task will include addressing the following items:

- Comparison with practices and businesses deemed similar to the Contractor.

- Assessing the performance benchmarking systems Republic has in place for monitoring and improving performance.

“That which is not measured is not managed” is an adage that R3 has found to be very applicable to solid waste operations. Establishing contractual baseline requirements and internal performance benchmarks, measuring progress against those benchmarks and conducting associated diagnostic review to identify opportunities for improvement is one of the foundations of an effective management system. Republic has embraced “management by metrics” to various degrees at a corporate level and within its individual operating Divisions. Republic also has its Focus 6 safety training program.

As part of our review, and in support of comparing Republic’s practices and performance with similar businesses, we will, based on information provided by Republic, document their existing safety, customer service, and performance benchmarking systems, and their current and historical performance relative to those benchmarks.

Based on the information provided, and additional information gathered as part of our review, we will develop a comparison of the current performance of Republic to:

- Their internal historical performance.
- Established corporate benchmarks, to the degree able.
- Their performance relative to industry standards, and other operations to the extent that information is available.

As part of this task, we will also review the information provided by Republic in support of the following requirement:

Comparison with practices of businesses deemed similar to those of Republic with respect to operations similar to those required by the Franchise Agreement for jurisdictions similar to the City of Salinas. Republic shall supply adequate information on operations for other jurisdictions that it deems comparable, including, but not limited to, for each category of service rates charged, number of customers, annual revenues line-item costs, and profit.

Task 3 Deliverables

- Findings and recommendations for Task 3 to be included in the Task 6 Draft and Final Reports.

Task 4: Analysis of Overweight Vehicle Occurrences and Operations Staffing

As part of our review we will pay particular attention to overweight vehicles and staffing of the operation.

Key Questions R3 will seek to answer for the City include:

- Has Republic shown measured improvement in the number of overweight vehicle occurrences since the inception of the Agreement?
- Does Republic have an effective system in place to combat overweight vehicle occurrences, and are such occurrences being properly monitored and managed?
- Is Republic operating at a staffing capacity in accordance with Agreement requirements and expectations of the City?

Task 4 Deliverables

- Findings and recommendations for Task 4 to be included in the Task 6 Draft and Final Reports.

Task 5: Billing Review and Financial Assessment

Our Billing Review and Financial Assessment is designed to address the following:

Billing Review: To determine if Republic is correctly billing customers for the associated service level, and only billing customers for services and services approved by the City as documented in the City’s approved rate schedule.

Financial Assessment: To determine if Republic has paid the correct franchise fee amount based on financial statement revenues and franchise fee payments.

Calculation of Customer Rates: To determine if current customer rates have been correctly calculated and correctly applied to the then current approved rate schedule.

R3 anticipates that Republic will provide access to all required financial and operational records, including annual and quarterly reports. In the event that access to the records is not granted, or the records are unavailable, the testing protocol will be modified to include those records that are available.

Task 5.1 - Billing Review

The purpose of the Billing Review is to determine the extent to which residential and commercial subscribers are billed correctly for the level of service provided, and whether billings are consistent with the appropriate rate schedule.

The Billing Review will include the following items:

- A review of service levels and charges from a recent billing cycle to determine if the rates charged for the various service levels are consistent with the approved rate schedule; and
- A review of a recent billing cycle to determine if all rates charged have been approved (e.g., are there any charges that are billed but are not listed on the approved rate schedule such as finance charges, push/pull charges, etc.).

To conduct our review, R3 requests that Republic provide an Excel file containing a complete billing cycle that covers all residential and commercial accounts. That file shall include each residential and commercial account sorted by service level such that all similar service levels (e.g., 32, 64 96-gallon cart service, 1-yard 1 time per week) are listed together along with the associated monthly rate, such that the rates charged for each service level can be easily compared to the associated approved rate. R3 will request explanations from Republic for any identified discrepancies.

At the conclusion of our review, R3 will determine the level of accuracy of Republic's subscriber billing system, and formulate suggestions, as appropriate, to improve the accuracy of the system. As part of this task, R3 will review Republic's policies with respect to uncollected accounts.

Task 5.2 – Review of Franchise Fee Payments

Our review of franchise fee payments will involve a comparison of franchise fee payments for each year to the calculated payments due based on franchise fee payments and gross revenues as reported in the financial statements. Tying franchise fee analyses to financial statements provides a level of review that accounts for any errors associated with individual monthly franchise fee payments, as well as any revenue adjustments that may have occurred after those payments were made.

Task 5.3 – Review of 2023 Rate Adjustment Calculation

R3 will review Republic's 2023 Rate Adjustment Request and provide an assessment as to its mathematical accuracy and conformance with the associated franchise fee requirements.

Notes:

- Our ability to fully assess the accuracy of the Rate Adjustment Calculation is contingent upon the availability of an Excel file with all relevant calculations, formulas, and supporting documentation.
- Our project budget does not account for the review of Republic's annual rate adjustment requests prior to 2023, although we could do so on a time and materials basis if requested by the City.

Task 5 Deliverables

- Review and testing of Republic's financial records.
- Route audits to verify the service level at specific addresses included in the test group (conducted as part of Task 5.1).

- Review of customer rate calculations.
- Results of the Billing Audit and Financial Assessment.

Task 6: Draft and Final Reports

Task 6.1 - Preliminary Findings

Upon completion of Tasks 2, 3, 4, and 5, R3 recommends that we present our preliminary findings to Republic for their review. This step is undertaken to ensure that we have not misinterpreted any of the information that has been provided. Based on comments received from Republic, we will make any appropriate adjustments to our findings prior to presenting our Draft Report.

Task 6.2 - Draft Report

R3 will prepare an electronic Draft Report in both Microsoft Word and PDF formats that incorporate the work performed in Tasks 1 through 5.

R3 anticipates that the Draft Report will include the following sections:

- Executive Summary.
- Introduction.
- Methodology.
- Findings and Recommendations.

Task 6.3 - Final Report

Based on written or verbal comments from City staff on the Draft Report, R3 will prepare and submit a Final Report to the City in an electronic PDF format.

Task 6 Deliverables

- Electronic copy of the Draft Report (Word and PDF).
- Electronic copy of the Final Report (PDF).

Limitations

Our ability to conduct the contract compliance portion of our Scope of Work is dependent in large part on Republic providing documentation supporting their compliance with various contractual requirements for our review. That information needs to be available in a form that will enable us to effectively assess their compliance. Additionally, given the requirement that the review covers all fiscal years dating back to the Agreement start date, supporting documentation needs to be provided for each of those years. Should any information necessary for us to effectively assess Republic's compliance not be provided to us in our requested format at the time of our onsite review or is not provided for each of the years reviewed, we will notify the City accordingly and note any such limitations to our ability to assess its compliance with any associated requirement in our Task 6 reports.

Task 7: Recommend Modifications to Current Agreement and Negotiation Assistance

R3 will conduct a thorough review of the current agreement to identify any areas that require correction. This will include correcting references, definitions, and language, and clarifying language, as appropriate. We will also provide the City with recommendations for additional quarterly reporting, including proactive reporting by Republic of its performance specific to all objective requirements for which liquidated damages apply. We will also identify additional changes to the Agreement language that may be of benefit to the City, and assist the City with negotiating any such potential changes with Republic, as applicable.

Task 7 Deliverables

- Electronic Memo presenting recommended corrections to the Agreement, clarifying language and potential enhancements to be negotiated.
- Negotiation Assistance.

SCHEDULE

R3 proposes to issue our draft report to the City within 120 days of authorization to proceed, assuming Republic's full cooperation. Our Final Report will then be issued within two weeks of receipt of the City's comments. R3 will issue our Task 7 Electronic Memo along with our Draft Report, and then provide negotiation assistance to the City as directed.

COST

R3 will complete our scope of work for a fixed fee amount of **\$150,000**. The project cost includes labor, travel, and project expenses, and includes the work and deliverables, as listed in Tasks 1 – 7. R3 will bill the City monthly on a percentage completion basis, with 10% of the total project budget withheld pending project completion.

It should be noted that R3's work would be directed by the City and not Republic, and all reports, memos, work products, etc. would be provided to the City and not Republic. However, Republic will be provided a copy of our Preliminary Findings for review to ensure that described operational processes and procedures are depicted accurately.

Standard Hourly Billing Rates

In the table below, we have provided the hourly billing rates for the R3 Project Team that may be involved in providing solid waste consultant services. Unless otherwise agreed in writing, fees for work completed will be billed monthly at the first of each month for the preceding month and will be payable within 30 days of the invoice date.

CLASSIFICATION	HOURLY RATE
Principal	\$ 300 per hour
Sr. Director	\$ 300 per hour
Director	\$ 255 per hour
Sr. Managing Consultant	\$ 235 per hour
Managing Consultant	\$ 210 per hour
Sr. Consultant	\$ 200 per hour
Consultant	\$ 180 per hour
Associate Consultant	\$ 165 per hour
Expert Witness	1.5x Rates Listed Above
REIMBURSABLE COSTS	
Consultants/Subcontractors	Cost plus 10%
Lodging and meals	Direct cost
Travel - Private or company car	At Current Federal Rate
Travel - Other	Direct cost
Delivery and other expenses	Direct cost