

15 January 2021

Mr. David A. Webb | Public Works Director
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

SUBJECT: RECYCLING SERVICES FEE STUDY

Dear Mr. Webb:

At the request of the City of Newport Beach (City), MGT of America Consulting, LLC (MGT) has completed a study of the Recycling Services fee and with this letter presents staff with the calculations and resulting fees for consideration. MGT calculated the cost to provide recycling services in the City of Newport Beach in conformance with well-established cost accounting methodologies.

SCOPE OF SERVICES

The current Recycling Services fee as shown on the Schedule of Rents, Fines, and Fees (SRFF) is **\$3.00 per residential unit per month**. The City requested that MGT analyze all costs associated with providing recycling services to Newport Beach residents to determine whether the \$3.00 fee is adequately recovering costs.

MGT has determined that the cost to provide recycling services to Newport Beach residential units is as follows:

MONTHLY FEE PER RESIDENTIAL UNIT

Excluding Newport Coast	\$6.28
Newport Coast	\$5.86

METHODOLOGY

The City provided MGT with the following data used to calculate the costs:

- ◆ **Staff time associated with the City's recycling program.** This includes time spent on program management and contract oversight. MGT calculated fully burdened labor rates for staff and multiplied these labor rates by the annual hours spent on the recycling program to determine annual city staff costs expended on the recycling program.

- ◆ **Annual Recycling Contract Costs.** There are two separate contracts with CR&R Incorporated, one for Newport Coast and the other for the remaining area of the City provided trash services.
- ◆ **Percentage of waste diverted.** This information is used to determine what percentage of the contract expense is associated with recycling (diverted) vs sent to landfills. These percentages are used to reduce the contract expense to that which is only associated with the recycling program.
- ◆ **Number of residential units associated with each of the two contracts:** the number of units in Newport Beach excluding Newport Coast, and the number of units in Newport Coast. This information is used to determine the cost per residential unit, separated by contract.

STUDY RESULTS

The following represents a summary of the data on which the proposed fee was calculated:

ANNUAL STAFF EXPENSE

Title	Department	Fully Burdened Hourly Rate (FBHR)	Annual Hours
Senior Management Analyst	PW - Refuse	\$147.95	120.00
Code Enf Officer Trainee	PW - Envntal Liability	\$45.41	240.00
Total annual cost for staff time:			\$28,651.60

ANNUAL RECYCLING CONTRACT COSTS

Refuse Contracts	Annual Contract	Diversion Rate	Recycling Costs
Excluding Newport Coast	\$ 4,160,688	48.36%	\$ 2,012,108.72
Newport Coast	\$ 741,164	40.65%	\$ 301,283.17
Total annual recycling contract costs:			\$2,313,391.88

Grand total annual costs for Residential Recycling program: \$2,342,043.48

NUMBER OF RESIDENTIAL UNITS

Excluding Newport Coast	27,017
Newport Coast	4,335
Total residential units:	31,352

ANNUAL COST PER RESIDENTIAL UNIT

Refuse Contracts	City Staff Expense	Recycling Contract Expense	Cost per residential unit
Excluding Newport Coast	\$0.92	\$74.48	\$75.40
Newport Coast	\$0.86	\$69.50	\$70.36

MONTHLY FEE PER RESIDENTIAL UNIT

Excluding Newport Coast	\$6.28
Newport Coast	\$5.86

SUMMARY STATEMENTS AND CITY RECOMMENDATIONS

The proposed fee for Newport Coast residential units is \$5.86 per residential unit per month and the proposed fee for the remaining residential units in the City, currently receiving recycling services, is \$6.28 per residential unit per month.

The City confirmed that all items included in the calculation are solely related to operational costs incurred by the City in satisfying state-mandated recycling requirements. Costs related to organics are excluded from these calculations.

Please do not hesitate to contact us if you have any questions or comments about this study. We look forward to continuing to be of service to the City of Newport Beach.

Sincerely,

Erin L Payton

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