MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **September 17, 2026**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

SUBJECT: Review and Possible Action Concerning Review of Recology 2027 Solid Waste Rate Increase

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In accordance with the existing franchise agreement, Recology provided financial information to the District for the requested 6.00% 2027 rate increase.

The District's accountants RVE Accounting & Advisory was asked to apply procedures to identify any mistakes associated with documents and calculations used by Recology to determine the 2027 Rate year adjustment factor.

For rate year 2027, our contract with Recology stipulates the utilization of an index-based calculation as compared to a cost-based calculation, which occurs every third year.

Index-based adjustment years provide good faith presentations of Recology's expenses and applies various CPI increases to determine the rate for the calendar year.

For rate year 2027, Recology calculated an increase of 4.41%, however, due to the most recent agreement with Recology, a 6% cap was placed on the overall rate and prior year's calculated excess would be applied in future years. The deferred rate increase for future years amounts to $227,715.

RECOMMENDATION:

Receive RVE Accounting & Advisory Consultant's Report on the review of the suggested rate increase and associated information

Attachments.

CONSULTANT'S REPORT
APPLYING ANALYSIS FOR
MONTARA WATER AND SANITARY DISTRICT
FRANCHISE AGREEMENT
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 identifying mistakes of accuracy of the calculation of the new rates for providing solid waste, organics and recycling services 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.

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) as well as the First Amendment to Franchise Agreement effective October 1, 2017, covering rate years 2018 through 2028, in order to gain an understanding of the terms, fees, services and reporting requirements outlined.

2. We obtained the outline for the calculation utilized to determine the year 2027 Rate Adjustment calculation, referred to as Exhibit E.

3. We independently located and downloaded agreed upon indices used by Recology of the Coast (Recology) to determine the 2027 rate from the US Bureau of Labor and Statistics and US Energy Information Administration.

4. We confirmed the correct indices were utilized for the correct periods for the purpose of calculating the 2027 rate.

5. We re-calculated 2027 indices percentage change from prior year, as well as calculations and formulas utilized in Exhibit E to apply CPI index-based increases to operational expenses.

Results: We reviewed the Franchise Agreement between the District and Recology and noted that service rates are to be adjusted annually. We also noted that commencing January 1, 2027, updated service rates are to be determined by utilizing the "index-based" methodology.

We noted the specified cost factors required for the index-based Rate Adjustment methodology were used and indices, calculations and formulas were in alignment with the Franchise Agreement.

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

Deviation: No deviations noted.

Conclusion: Recology is acknowledging a 6% rate increase for 2027.

Consultant's Recommendations: Move forward with the current Prop 218 process with the agreed upon rate cap of a 6% increase for rate year 2027.

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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.

Peter M

September 10, 2026