

City of Piedmont
COUNCIL AGENDA REPORT

DATE: September 19, 2022

TO: City Council

FROM: Sara Lillevand, City Administrator

SUBJECT: Receipt of a Performance Review of the City's Collection Services Agreement with Republic Services, Inc. prepared by R3 Consulting Group, Inc.

RECOMMENDATION

Receive the attached Performance Review, prepared by R3 Consulting Group, Inc., concerning the City's Collection Services Agreement with Richmond Sanitary Services, Inc., also known as Republic Services Inc. (Republic).

BACKGROUND

On May 17, 2021, the City Council approved an agreement for consulting services between the City of Piedmont and R3 Consulting Group, Inc. (R3) to conduct an audit of billings and revenue reporting and review operational performance and compliance of the City's Collection Services' Agreement with Richmond Sanitary Services, Inc. (Republic). The amount of the agreement was not to exceed \$53,390, and was funded by Republic, pursuant to provisions in the Collection Services Agreement. Republic is the City's franchise waste-hauler under a Collection Services Agreement (Agreement) with the City which began on July 1, 2018, and which will expire on June 30, 2028. The Agreement is a detailed and complex document that establishes procedures for the collection of garbage, recyclables, organics, bulky waste, e-waste, household hazardous waste, and construction debris from residences, businesses, schools, and City facilities. It sets forth performance standards, insurance requirements, vehicle specifications, customer service criteria, reporting requirements, diversion rates, and how proposed customer rate adjustments may be calculated. The Agreement was developed in 2017 with the assistance of R3.

Section 20.01 of the Agreement specifies that over the 10-year Agreement period, the City will conduct two billing audits and performance reviews, paid for by Republic Services. We are now 4 years into the term of the current Agreement. As a result of changes in international recycling processor requirements, shrinking domestic processing facilities, and pervasive depression in market pricing, Republic requested to make modifications to routing and collection operations in late 2019. Concurrently, Republic cited a greater than expected shift from On-Premises collection service to Curbside service driven by the July 1, 2018 rate adjustment. This resulted in a swing from a near equal split between On-Premises and Curbside collection to approximately 27% On-Premises and

73% Curbside service. In efforts to maintain operational integrity and achieve greater operational effectiveness and efficiency, Republic proposed the following modifications: a reduction of collection vehicles from 5 to 3, including a reduction in the size of collection vehicles, and a switch from split-body vehicles to single-chamber rear load collection vehicles. This request was granted, and implementation of the routing modifications became effective in January 2020. No Piedmont customers experienced a change in route configuration, service rates, or collection days. However, impacts of the COVID-19 pandemic along with different vehicle operational functions led to greater driver dislocation than expected and unacceptably long workdays. Subsequently, Republic reinstated co-collection of recycling and organics and discontinued single-commodity collection in December 2020. Given the collection route changes, the City needed to evaluate the potential impacts pursuant to Article 11.02.1 of the Agreement. Accordingly, staff determined it was an appropriate time for the City to perform the requisite review.

PERFORMANCE REVIEW

Attached is the Performance Review report (Report) prepared by R3. The objectives of this report were to: assess Republic's collection operation; determine the extent to which Republic has materially complied with the requirements of its current Agreement with the City; assess the accuracy of Republic's customer billings and remittance payments to the City; and provide recommendations, as appropriate, for continuous improvement of provided services. The Report also covers outstanding items from the 2015 Performance Review (the last completed review under the former Franchise Agreement with Republic, also prepared by R3) and facilitates due diligence in confirming that operational efficiency was not hampered in the transition of routing modifications in 2020.

Franchise Agreement Compliance and Operational Performance Review

The overall conclusion of the Report is that Republic does a good job providing waste hauling services to the community, which is the primary function under the Agreement. This is in line with relatively few complaints received by the City during the Agreement term, and staff's perception of general satisfaction from the community. Overall, the routing modifications in 2020 did not significantly hamper operational efficiency of collection services to Piedmont accounts. Although, coupled with impacts of COVID-19 and customers right-sizing containers, Republic experienced an increase in discard volume, complications with drivers' adaptation to the modified routes, and extended daily collection time. Together, these circumstances led to a spike in overweight vehicle occurrences in 2020 (16 occurrences compared to one occurrence in 2019 and zero in 2018). In light of these factors, Republic subsequently upgraded and strengthened their vehicles' chasses (which allows for proper on-board scales calibration) and discontinued rear load collection in favor of dual-chambered collection vehicles. These changes reduced labor burden on workers as well as the number of overweight incidents.

Within this good service, are areas where Republic is not in compliance with specific provisions of the Agreement. Again, it is important to be reminded that many provisions of the Agreement are met and exceeded, and it is not surprising that within the 126-page detailed Agreement are some provisions that are not being followed. R3 checked over 100 Agreement requirements and found

Republic was not in compliance with the following one section:

- §17.02 Reporting Requirements: Quarterly reports shall be submitted to the City no later than 15 days after the end of the reporting quarter. R3 noted that Republic is not in compliance with the Agreement because Republic instead submits Biannual Reports to the City (see report page 8). The City provided a written notice to Republic allowing the change which has been in effect since 2019. R3 recommends codifying Biannual Reports into the Agreement in place of the Quarterly Reports.

There are also areas where Republic is compliant with the Agreement but deserve to be highlighted as opportunities for improvement. Those include the following:

- §14.06.1 Missed Pick-Ups: Missed pick-ups are an ongoing problem. Republic's cut-off for same day service of reported missed collection is 12 pm. Reports received after 12pm are covered on the next business day. Despite the various routing changes Republic made in 2020, the number of misses and disparity between recycling and organic misses continued throughout the year. Recycling and organic materials are collected in the same truck by the same drivers. Recycling misses increased markedly (from 50 to 274) when comparing July-December 2019 and the first six months of single-stream rear load collection (January-June 2020). Republic noted in their 2021 Annual Report that the disparity may have resulted from duplicate activity entries and accordingly made efforts to consolidate recycling and organic entries into a single tracing activity. However, Republic reports that missed pick-ups on recycling and organics routes continue to be out of sync with historical seasonal activity fluctuations. Monitoring of this issue is on-going. (report pages 14 and 19)
- §17.06.27 Total Incident Recordable Rates (TRIR) and Days Away Restricted or Transferred (DART) statistics: TRIR and DART statistics are Occupational Safety and Health Administration (OSHA) measures of worker safety. In addition to these statistics, Insurance Modification Factors provided for the prior Agreement year in Republic's annual reports submitted to the City. Republic's safety performance is analyzed on an annual basis through their Annual Report to the City. Based on OSHA 300A Forms (Summary of Work-Related Injuries and Illnesses) since 2018, the number of worker injuries, days away from work, and days of job restriction work increased. Republic's TRIR, an industry metric that looks at past safety performance during a one-year period, was higher than industry average in 2018 and 2020; Republic did not provide a TRIR value for 2019. Due to Republic's type of collection (manual rear-end loading as opposed to automated side-loading), drivers must manually lift carts into the collection vehicle. Therefore, due to the difference in application of labor, it is not unreasonable to assume a higher incident rate. Staff will continue to work with Republic to request backing data to give context to their TRIR values and request an additional safety performance measure (Hourly Accident Recordable Rate) moving forward. (report page 15)
- §Exhibit 8 Collection Operations Plan - Fleet Equipment Maintenance: Republic's route drivers are trained to conduct pre-trip and post-trip vehicle inspections as part of the daily routine in order to assure that all equipment is operable and safe before use. Republic's pre-

and post-trip inspection practices are designed to satisfy federal regulations. During R3's onsite review, it was observed that the application of the pre-trip process varied by the individual and no required 5-minute brake test was conducted. Republic disagreed with R3's observation and subsequent finding regarding conducted pre-trips during the onsite review. (report page 18)

Audit of Billings and Revenue Reporting

The objective of the Billings and Revenue Audit was to review and assess Republic's billing and financial management system, the calculation of revenues, and reporting of financial information as required by the Agreement with the City. More specifically, these audits included: verifying that customers are receiving the type and level of service for which they are billed; verifying that customer rates have been properly calculated and applied; and verifying that Republic is correctly calculating gross rate revenues and is properly remitting franchise fees and liquidated damages.

Audit of Billings

R3 reviewed customer billing records and was able to verify that Republic is indeed accurately charging the approved service to all of the accounts within the City. R3 also conducted a field audit to verify that customers are receiving the correct level of service that they are being charged. It proved difficult for R3 to distinguish the 20-gallon carts and 35-gallon carts, as they are externally identical. Republic's 20-gallon carts are the 35-gallon carts but with inserts designed to reduce the volume allowed into the cart to the 20-gallon amount. As such, R3 was unable to verify the accuracy of the service levels for customers subscribed to the 20- and 35-gallon carts and recommends that Republic conduct an internal field audit to specifically verify those subscribed service levels (report pages 20 and 21).

Audit of Revenue Reporting

R3 determined minor discrepancies in the cash receipts reported to the City when auditing Republic's gross revenue (report page 21). Similarly, R3 determined a minor discrepancy in the 2019 commercial franchise fee payment when auditing franchise fee transactions (report page 22). As recommended by R3, the City will conduct end-of-year franchise fee reconciliations to ensure the accuracy of franchise fees paid to the City.

CONCLUSION OF PERFORMANCE REVIEW

As previously mentioned, Republic is providing good services to Piedmont residents, businesses, schools, and City facilities. Their personnel have been responsive when contacted by staff, and their financial compliance is within the range of normal performance for similar operations. However, there are a few aspects of the performance standards in the Agreement that should be addressed either by compliance or amendments to the Agreement. At the conclusion of the Council meeting, based on the testimony of Republic Services personnel, R3 personnel, members of the public and City Council members, staff will work with Republic staff and R3 personnel to reconcile the matters that are not in compliance with the Agreement. Should modifications be requested or needed and agreed to, staff will work with the City Attorney and return to the Council with formal proposed amendments to the Agreement.

By: Alyssa Dykman, Sustainability Program Manager

ATTACHMENT

Attachment 1 Pages 6-30 Performance Review Final Report prepared by R3

Final REPORT

City of Piedmont

Performance Review of Republic Services

Submitted electronically: March 29, 2022



March 29, 2022

Ms. Alyssa Dykman
Sustainability Program Manager
City of Piedmont
120 Vista Avenue, Piedmont, CA 94611
submitted via email: adykman@piedmont.ca.gov

SUBJECT: Final Report – Performance Review of Republic Services

Dear Ms. Dykman,

R3 Consulting Group, Inc. (R3) is pleased to submit the attached Final Report for the Performance Review of Republic Services (Republic) for the City of Piedmont (City).

The objectives of this project were to:

- » Assess Republic's collection operation;
- » Determine the extent to which Republic has materially complied with the requirements of its current Franchise Agreement with the City;
- » Assess the accuracy of Republic's customer billings and remittance payments to the City; and
- » Provide recommendations, as appropriate, for continuous improvement of provided services.

The attached Final Report contains our findings and recommendations.

* * * * *

We appreciate the opportunity to be of service to the City. Should you have any questions regarding our report or need any additional information, please don't hesitate to reach out directly.

Sincerely,



Ryan Calkins | *Project Manager*
R3 Consulting Group, Inc.
559.917.3829 | rcalkins@r3cgi.com

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Attachments

- 1. Compliance Checklist

1. EXECUTIVE SUMMARY

Introduction

The City of Piedmont (City) franchises solid waste collection, processing and disposal with Richmond Sanitary Service, Inc., a subsidiary of Republic Services (Republic) via the Franchise Agreement (Agreement) dated July 1, 2018. The Agreement includes the exclusive rights to provide solid waste (including green waste/food waste) and recyclables collection at all residential and commercial/industrial premises within the City.

The City engaged R3 to conduct a performance review of Republic as provided for in Article 20 of the Agreement. The following report details R3's performance review methodology, findings, and recommendations, which are summarized below. R3 contracted with the City to conduct a Performance Review of Republic.

Our review focused on the following areas:

- » Franchise Agreement Compliance Review;
- » Operational Performance Review; and
- » Audit of Billing and Revenue Reporting.

R3 conducted a similar performance review in 2015. As part of this review, we also assessed the extent to which Republic implemented the recommendations that were presented in that report.

Outstanding Items from 2015 Performance Review

Reporting

- » Combine annual reports with public outreach and education plan, annual diversion report, and annual rate application in one consolidated reporting package due to the City no later than April 1, annually:
 - This change was codified into the language of the new Agreement in 2018.
- » Propose and seek City approval of a methodology to allocate and report diversion levels and tonnages by single family, multi-family, and commercial lines of business:
 - Single family and multi-family are combined and designated as Residential customers, and commercial customers are separated.
- » Ensure that the annual franchise fee amounts listed in all future annual reports are an accurate representation of Republic's accounting of actual franchise fees paid to the City.
 - With the data provided by Republic, R3 was able to verify that the franchise fee payment calculations provided by Republic were mathematically accurate, with one exception (\$100 discrepancy for the 2019 commercial franchise fees paid to the City).

Customer Service

- » Direct and train all Customer Service Representatives (CSRs) to use the customer complaint code, which abbreviates to CSCP, for all complaints generated by Piedmont customers, so that when Republic pulls a report of all CSCP codes, it will be representative of all complaints received by the Republic (e.g. complaint log).
 - R3 was unable to verify; however, nothing was found to indicate that this was still an ongoing problem.

Fleet Safety

- » Provide the City with a California Highway Patrol (CHP) “Mister Report” as part of its Annual Report submission, as the basis for verifying that each of the Contractor’s collection vehicles are compliant with all registration, licensing, and inspection requirements.
 - These items have been included in the Annual Reports.

Memorialize Changes

- » As discussed on page 2 of this report (from 2015), there have been several changes requested by Republic during the term of this Agreement that have not been formally approved by the City. For changes that the City is willing to accept, the City and Republic should memorialize them via an amendment to this Agreement, or other appropriate written instrument.
 - These changes were implemented into the language of the new Agreement.

Summary of Key Findings

Franchise Agreement Compliance Review

R3 checked over one hundred (100) Agreement requirements and found Republic was not in compliance with the following section:

1. **17.02** – This section begins the outline for the quarterly and annual reports.
 - a. Republic is submitting semiannual reports, while the Agreement requires quarterly reports.
 - b. Republic provided R3 with written documentation from the City allowing for biannual reports in the place of quarterly reports.

Operational Performance Review

Management and Administrative Review

- » Positives
 - An efficient and durable management structure was observed by R3.
- » Opportunities for Improvement
 - Republic is anticipating equipping their collection vehicles with onboard tablets that link directly to dispatch and the customer service team. Data management will improve once this integration is implemented.

Collection Operations Review

- » Positives
 - Republic uses a three-container system to collect garbage, recyclable and organic material for residential customers, and services customers Monday through Friday.
 - Republic provides drivers with ongoing safety training.
 - Diversion surpassed the 65% required level for the Agreement consistently over the three years analyzed for this review.
 - The 2020 Modification factor (0.88) was below industry standard (1.00), which indicates that Republic operates at a safer level than the industry average.

- » Areas of Non-Compliance – Opportunities for Improvement
 - OSHA safety records:
 - 2018 – 1 injury (40 days away from work; 311 days of job restriction)
 - 2019 – 5 injuries (516 days away from work; 607 days of job restriction)
 - 2020 – 4 injuries (226 days away from work; 630 days of job restriction work)
 - TRIR is higher than the industry standard for each years reviewed.

Maintenance Review

- » Positives
 - Maintenance is adequately staffed to handle the fleet effectively and efficiently.
 - Vehicle maintenance monitoring and tracking practices are conducted exceptionally well, and routine vehicle preventative maintenance program practices are conducted within industry standards.
- » Areas of Non-Compliance – Opportunities for Improvement
 - Drivers were observed to have skipped steps in the pre-trip safety check process, including a five-minute brake test. Pre- and post- trip safety checks training should be conducted regularly.
 - Please note that Republic disagrees with R3’s observation and subsequent finding regarding conducted pre-trips during the onsite review.

Customer Service Review

- » Positives
 - Company-wide, Republic has enhanced online and smartphone customer service features to its customer service functions. This allows customers to access Republic to some degree at all hours.
- » Areas of Non-Compliance – Opportunities for Improvement
 - Missed Pick-ups are an ongoing problem for Republic. It is a known issue, and Republic is continuing efforts to prevent these occurrences.

Billing Audit and Audit Revenue Reporting

Customer Billing Records Review

R3 was able to verify that Republic is accurately charging the customers the approved (on record) service rates.

Field Audit

R3 had difficulty determining the differences between the 20-gallon and 35-gallon carts during the field audit. The 20-gallon carts are created by placing an insert into a 35-gallon cart that reduces container capacity. Typically, these containers are clearly identifiable during a route observation, but these particular inserts were designed in a way that externally and, upon lifting lids, made the 20-gallon carts indistinguishable from the 35-gallon carts unless the container was empty.

R3 was able to verify 64-gallon and 96-gallon carts during the audit and found that 100% of the customers subscribed to these cart sizes were receiving the correct level of service.

Billing Audit

Due to the difficulties identified above in the field audit, it was not possible to verify that the customers were being charged the correct rates for the level of subscription that they were receiving.

Audit of Revenue Reporting

Audit of Gross Revenue

Republic provided R3 with the cash receipts for years 2019 and 2020. In comparing these cash receipt values with the cash receipt values provided to R3 as the basis for the franchise fees paid to the City, R3 found slight discrepancies for both years. In 2019, it appears that Republic received \$1,105.22 less than they reported as cash receipts to the City and in 2020 they appeared to have received 283.81 more than reported. These discrepancies would change the amounts of franchise fees paid to the City for both years.

Audit of Franchise Fees

Republic provided documentation in the form of their Annual Report(s) and supplemented this with a month-by-month breakdown of the franchise fees paid, that showed they are accurately calculating the Franchise Fees (5.5% of the Gross Revenues) paid to the City, with one exception. R3 found that Republic overpaid commercial franchise fees paid in 2019 by \$100.

Recommendations

Franchise Agreement Compliance

- » Codifying in the Agreement Biannual Reports in the place of Quarterly Reports.
- » Create a consistent process to create the reports in strict accordance with what is required in the reports to the City.

Operations Performance Review

Management and Administrative Review

- » Implement onboard tablets for collection vehicles.

Operational Performance Review

- » Begin listing the safety metrics using the Total Recordable Incident Rate (TRIR) and Modification Factors in the Annual reports as was done in 2020.

Maintenance Review

- » Retrain drivers on Pre-Trip Inspection process and appoint Route Supervisor to oversee each morning launch to ensure all drivers are following the process correctly.

Customer Service Review

- » Continue to focus on addressing the missed pick-up issues as effectively and efficiently as possible.

Audit of Billings

- » R3 recommends that the City consider conducting end-of-year franchise fee reconciliations to ensure the accuracy of franchise fees paid to the City.

- » R3 recommends that Republic conducts an internal audit to provide data ensuring that customers are being charged both the approved rates, as well as the rate that matches their provided and subscribed service levels.
- » R3 recommends that Republic conducts an internal audit focused specifically on the 20-gallon and 35-gallon containers, as R3 was unable to assess the accuracy of the service levels being provided due to the identical outwards appearance of containers.

2. STATUS OF 2015 PERFORMANCE REVIEW KEY FINDINGS

Objective

R3's objective for this portion of the project was to review and assess Republic's progress towards completing the recommended actions for improvement proposed by R3 resulting from the performance review conducted in 2015.

Methodology

R3 reviewed the findings and recommendations from the 2015 Performance Review. To assess the level of improvement from the 2015 Performance Review, R3 included an update from Republic on each action item as part of the data request for this project. R3's findings on the updated status of the 2015 recommendations are provided below.

Findings

Reporting

- » Combine annual reports with public outreach and education plan, annual diversion report, and annual rate application in one consolidated reporting package due to the City no later than April 1st of each year;
 - With the execution of the new Agreement in 2018, these changes have been codified to be included in one Annual Report package. The due date for the Annual Reports are no later than 60 days after the end of the preceding Agreement year.
- » Propose and seek City approval of a methodology to allocate and report diversion levels and tonnages by single family, multi-family, and commercial lines of business; and
 - With the execution of the new Agreement, tonnages and diversion levels by line of business is contractually required.
- » Ensure that the annual franchise fee amounts listed in all future annual reports are an accurate representation of Republic's accounting of actual franchise fees paid to the City.
 - R3 did not receive data to verify that the franchise fee payments were received, however the franchise payments calculated were accurate with one exception. Republic did not provide franchise fee payments notices by payment period, but rather a single annual breakdown of the franchise fees paid by residential, commercial, and industrial.

Customer Service

- » Direct and train all CSRs to use the CSCP complaint code for all complaints generated by Piedmont customers, so that when Republic pulls a report of all CSCP codes, it will be representative of all complaints received by the Republic (e.g., complaint log).
 - R3 was unable to verify, however nothing was found to indicate that this was still an ongoing problem.

Fleet Safety

- » Provide the City with a CHP "Mister Report" as part of its Annual Report submission, as the basis for verifying that each of the Contractor's collection vehicles are in compliance with all registration, licensing and inspection requirements.
 - These items have been codified as required with the new Agreement. R3 can confirm that they are being included.

Memorialize Changes

- » As discussed on page 2 of this report, there have been several changes requested by Republic during the term of this Agreement that have not been formally approved by the City. All changes that the City is willing to accept should be memorialized by the City and Republic via an amendment to this Agreement, or other appropriate written instrument.
 - The issues identified in the 2015 performance Review need to be codified into the new and current 2018 Agreement.

3. FRANCHISE AGREEMENT COMPLIANCE REVIEW

Objective

R3's objective for this portion of the project was to review and assess Republic's compliance with the requirements in its Franchise Agreement (Agreement) with the City. For this review, R3 focused on the following aspects which are listed in the order of what we believe is most important to the City:

1. Safety;
2. Customer Service;
3. Operations & Management / Performance Standards; and
4. Overall Diversion.

R3 noted the progress on the identified areas of improvement / recommendations provided to Republic in our previous review conducted in 2015. Additionally, a list of recommendations from the current review has been provided.

Methodology

Our first step was to develop a Compliance Checklist (Attachment 1) that listed the major contractual requirements to be assessed as part of the Performance Review. We then evaluated the level of compliance for each item on the checklist.

The Compliance Checklist includes:

- » Compliance measurement (summary of a specific requirement outlined in the Franchise Agreement);
- » R3's testing methodology (description of the specific procedure that will be followed to assess Republic's compliance with each requirement);
- » Information and documentation source; and
- » R3's final assessment on compliance (compliant, partially compliant, or non-compliant), along with our reasoning.

Findings

R3 conducted a review and documentation of all Agreement terms and conditions that require Republic to meet specific performance standards, submit information or reports, perform additional services, or document operating procedures. R3 reviewed and documented Republic's compliance, non-compliance, or compliance unknown for over 100 different terms and conditions in the Agreement. Republic appears to be out of compliance with one provision.

R3 has listed each by article and number below:

17.02 – Quarterly Reports shall be submitted to the City representative no later than fifteen (15) calendar days after the end of the reporting Quarter and Annual Reports shall be submitted to the City representative no later than sixty (60) days after the end of each preceding calendar year. Quarterly and annual reports shall be submitted in hard copy, and shall be provided electronically via e-mail, or a compact disc using software acceptable to the City.

- » Technically Republic is not in compliance with the Agreement, however Republic has provided R3 with written notice from the City allowing them to provide the City with Biannual Reports in the place of Quarterly Reports.

Recommendations

- » R3 recommends codifying Biannual Reports in the Agreement in the place of Quarterly Reports; and
- » Development of a consistent process to create the reports in strict accordance with what is required in the reports to the City.

4. OPERATIONAL PERFORMANCE REVIEW

Objective

The objective of the Operations Review portion of the Performance Review was to determine the extent to which Republic is running a safe and efficient operation.

That review involved evaluation of the following aspects of Republic's operations:

- » Overall Organizational Structure and Management Systems and Procedures;
- » Staffing Practices;
- » Personnel Management Practices;
- » Collection Productivity;
- » Employee Job and Safety Training;
- » Procedures for Receiving and Resolving Customer Complaints and Concerns; and
- » Procedures for Acquisition, Maintenance, Safety Check and Replacement of Equipment.

This review was divided into the following key areas:

- » Management and Administrative Review;
- » Collections Operations Review;
- » Public Education and Outreach Review;
- » Customer Service Review; and
- » Maintenance and Safety Review.

Management and Administrative Review

Methodology

R3's review and assessment of Republic's organizational structure and management systems and procedures included the following items:

- » Review of organizational structure and functions, including the ratio of supervisors to routes and mechanics to vehicles;
- » Review of data tracking and reporting procedures, including what data are continually tracked and how those data are used to manage the collection operations;
- » Review of employee management policies and procedures, including those for employee evaluation, discipline, and training, etc.; and
- » On-site interviews conducted to gain a better understanding of the organizational structure and the inter-department communication and management of data.

Findings

Organizational Structure and Functions

A copy of Republic's organizational chart was not provided to R3, however the following summarizes the management structure at Republic that we gathered via interviews with management: The General Manager is supported by The Division Manager. Reporting directly to the Division Manager is the Operations Supervisor, the Maintenance Manager, and the Customer Service Supervisor.

The Operations Supervisor is responsible for the running and overseeing of efficiency, and safety of the collection operation. The Maintenance Manager is responsible for the maintenance of the collection vehicles and, reports to the Division Manager. The Customer Service Supervisor oversees the Customer Service Representatives (CSRs).

Operational Performance Review

During the interview process R3 questioned the level of staffing and the whether the number of supervisors was sufficient to adequately manage the operation. Both the Division Manager and the Operations Supervisor(s) confirmed with R3 that the current organization structure was efficient and durable in the event of unanticipated events (such as calling out sick). However, the Maintenance Manager acknowledged that while the current operation was performing adequately, at the time of the interview they were looking to add one more supervisor to the Maintenance Division and are currently hiring.

Please note that Republic manages and services their entire regional fleet out of their Richmond corporate yard, and as such is not dedicated to the City. However, the City only requires one route supervisor, which Republic has appropriately covered.

Data Tracking and Reporting Procedures

Most Republic sites track collection data with onboard tablets in the collection vehicles. This data software supports all customer activities including billing, routing, and customer service functions. The system links with management, dispatch, and the CSRs to allow for real-time routing adjustments or updates to work orders, logging and tracking of all customer interactions, and querying/generation of various operational data productivity reports. Currently, the operation for collection of the City's materials is not utilizing these tablets and associated software but anticipates site-wide implementation within the next six to twelve months.

As the collection service in Piedmont is exclusively manual rear-load, the drivers monitor and track contamination in the recycling and organics carts by observing the carts before they are dumped into the hopper of the collection vehicles. Drivers notify dispatch upon observing contaminated carts/bins. Dispatch notifies customers of repeat contamination offenses in an effort to cease future contamination occurrences at identified residences/businesses.

Collections Operations Review

Methodology

R3 requested specific data pertaining to the collection operations in the City. R3 reviewed the provided data and conducted subsequent interviews to gain additional details and assess the collection vehicle morning launch routine and practices, including Department of Transportation pre- and post-trip inspections.

R3 requested a vehicle inventory list for all vehicles currently used by Republic. This list included the maximum load weights for all collection vehicles, as well as the age, type, and model for all collection vehicles.

R3 requested data containing performance information, tonnage reports, diversion reports, vehicle spill reports, and vehicle overweight data to understand how the performance of the collection operation is being measured internally, as well as to assess the collection operation. R3 conducted interview(s) of Operations Supervisors to gain an understanding of the metrics in which Republic regularly uses to monitor its productivity and operational practices.

Findings

Efficiency of Collection Operations

R3's review of the efficiency of Republic's collection operations included the following items:

- » The number of vehicle routes, routing approach and route structure;
- » Work schedule;
- » Scheduling and collection of missed pickups;

- » The age and condition of collection vehicles; and
- » Route-to-supervisor ratio.

Vehicle Routes, Routing Approach and Route Structure

Residential and Commercial Collection

Republic has gone through a number of changes over the past year to mitigate some of the missed pickup issues, however they currently operate with only three split-body rear end loaders. They have two of the vehicles operating on full collection routes, with the third vehicle parked within the service area to be used if one of the other two split body collection vehicles reaches its max weight limit. Residential collection is provided via manual collection, with each collection vehicle staffed by two workers.

The City's commercial customers are serviced by the residential collection vehicles as well. Republic uses a "three-container" residential collection system with garbage, recyclables, and organics all collected at least one time per week, Monday through Friday.

Work Schedule

Four (4) Residential drivers begin their shift at 7:00 am, as they are not contractually allowed to begin service within the City's service area until then. The morning of each service day, the Route Supervisor reassesses the plan for the day and reviews the status of available vehicles and drivers to ensure enough resources are available for collection, reassigning workloads as necessary.

Drivers are required to conduct a full pre-trip inspection and complete a pre-trip inspection form. The pre-trip procedure ensures that each collection vehicle is checked for safety concerns every morning prior to leaving the yard and includes a review of everything on the vehicle from the lights to the hydraulic system to assess whether each component is in safe and reliable working condition. Upon completion of a pre-trip inspection, the driver will exit the yard and depart for their respective route assignment for the day. *It should be noted that R3 observed that drivers were not conducting the full pre-trip procedure.*

At the end of each day, the driver notifies the Route Supervisor that the route has been cleared (i.e., all workload requirements have been completed). At that point, the Route Supervisor authorizes the route to return to the yard to check-out for the day, direct the driver to remain in the field and assist other routes with any remaining workload, or redirect to collect missed pick-ups (MPUs) or other customer service requests, usually through dispatch correspondence. Once the driver returns the collection vehicle to the corporation yard, a post-trip inspection should be conducted. This is similar to the pre-trip inspection but does not include the standard five (5) minute brake test. Upon completion of the post-trip inspection and prior to clocking out for the day, all paperwork is brought to the dispatch window for review.

Staffing Practices

As mentioned, Republic currently employs one Route Supervisor. The Route Supervisor is responsible for running the day-to-day collection operation.

The three Route Supervisor focus areas are:

1. **Safety:** Daily huddles with the drivers of all three lines of business (Commercial, Roll-Off, and Residential) prior to starting their routes, to keep the drivers up to date on safety measures and daily updates;
2. **Customer Experience:** Ensuring the ratepayers are receiving the services that they pay for and at expected level(s) of quality, ensuring customer service requests (MPUs, extra collections, etc.) are addressed, and post-service containers are upright with lids closed and the ground is free of debris; and
3. **Efficiency:** Taking every measure to keep the operation running quickly without sacrificing safety. Implements reroutes if routes are observed to become unbalanced.

Operational Performance Review

The Route Supervisor receives and manages the data from various reports including overweight vehicle compliance data, customer service requests, MPU reports, and the list of downed vehicles. The Route Supervisor generates the productivity reports, drivers service hours reports, and other relevant reports which are submitted to the Operations Manager.

Aside from launching and receiving the collection fleet pre- and post-route and regular administrative duties, the Route Supervisor spends roughly three to four hours a day in the field conducting site and/or route observations and engaging with the drivers to ensure that safety and service levels are adequately applied and followed. The Route Supervisor engages with each driver individually at least once per week and conducts unscheduled ride-a-longs with drivers, as able, to ensure that safe, efficient, and quality collection is provided.

Policies and Procedures

Republic's training programs consist of regular pre-scheduled safety meetings that include training modules covering general solid waste collection topics, as well as daily huddles that cover specific safety, service, or efficiency topics related to the site. All drivers are required to attend safety meetings and sign a form showing that training was provided; signatures are not required for attendance during daily huddles.

Training Modules

Republic drivers complete ongoing annual training modules, which cover topics such as:

- » Safety procedures slips, trips, and falls; backing; push/pull of containers; etc.;
- » Proper and safe collection practices (loading and unloading);
- » Pre- and post-trip inspection procedures; and
- » Incident and accident procedures (OSHA required training).

These are assigned trainings that each driver must do monthly. Twice per year the drivers must complete a safety training course and once per year the drivers must take a defensive driving training course. Additionally, during Covid-19 Republic developed online training courses that are specific to new driver onboarding training and development.

Daily Huddle

Each morning, the Operations Supervisor conducts a daily huddle prior to conducting each vehicle launch. These huddles are a means to connect with the drivers, highlight any last second routing or work order changes, discuss route coverages, or other identified critical points of information. If any safety incident has occurred within Republic's national operation, it is addressed during the daily huddle to bring awareness to issues experienced by other sites and to further drive home the importance of safety education and preparedness of the drivers by providing a more personal accounting of incidents in the industry.

Vehicle Inventory

The City dedicated fleet consists of the following vehicles:

Table 1: Vehicle Inventory

Vehicle Type	Number of Vehicles
Split-body Rear Load Collection Trucks	3
Pickup Trucks	2
Container Delivery Truck	1
Flat Bed Truck	1
Rear Load Collection Trucks	3

Operational Performance Review

All of Republic's collection vehicles run on natural clean diesel. Republic vehicles are filled onsite at its Corporation yard.

Overweight Vehicles

Republic did not provide R3 with overweight ticket records but referred us to their Annual Report(s). The following table shows the overweight occurrences over the last three years.

Table 2: Overweight Occurrences

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
2018	0	0	0	0	0
2019	0	0	0	1	1
2020	7	8	0	1	16

Please note that as Republic did not provide backing data for these items, we could not verify them. Republic mentioned in their 2020 Annual Report that due to the spike in overweight occurrences, they would modify their collection operation to the current operation of two split-body rear-loader collection vehicles, with a third collection vehicle available to assist if the max weight load has been met.

Prior to the current collection operation system, Republic had transitioned to using rear-loading single-body vehicles, with a split-body rear loader to be used as a "rover" to assist the other collection vehicles. But due to the change in the waste stream volume with Covid-19, the amount of overweight occurrences increased. In December 2020, the three split-body rear-load collection operation was introduced. The effectiveness of this system was discussed in the 2021 mid-year report to the City.

Safety Record

During the interview with the Operations Supervisor, the number one priority for the operation was stated to be safety. Safety performance benchmarks and metrics should be clearly established, monitored and documented. The daily huddle training sessions offer an opportunity for the Operation Manager to address safety concerns, review safety training, and/or address any additional relevant safety and service measures.

While not universal, a company's safety record is often a good indicator of the overall effectiveness of its management and operations.

Experience Modification Factors

One way of assessing the safety record of Republic is by reviewing its experience modification factor. The Compensation Insurance Rating Board (CIRB) develops experience modification factors for employers who have workers compensation annual premiums of \$5,000 or more. An experience modification factor adjusts an employer's premium to reflect the difference between the employer's loss experience and the average experience that is expected for its classification(s) and size.

The Experience Rating Plan places an emphasis on the number (frequency) of claims and (to a lesser extent) the severity of workplace accidents. If an employer has better experience than is expected for an average employer in the same industry with similar payroll, the employer receives a premium credit. On the other hand, if the employer's experience is worse than the comparable average, the employer receives a premium debit. The ability of the employer to directly affect his/her premium in this manner serves as an incentive to control or eliminate workplace injuries.

The Modification Factors were requested from Republic, and in 2020 they had a Modification Factor of .88. Republic did not provide the Modification Factors from 2018 and 2019, however Modification Factor of 1.00 is considered on par with the industry average. Republic is below 1.00 in 2020 which indicates a better claims history than the industry average.

OSHA Reportable Accidents

For purposes of assessing Republic's safety performance, R3 requested copies of Occupational Safety and Health Administration (OSHA) 300A Forms (Summary of Work-Related Injuries and Illnesses) for the last three years.

The review of OSHA 300 forms for the period 2018-2020 is as follows:

- » 2018 – 1 injury (40 days away from work; 311 days of job restriction)
- » 2019 – 5 injuries (516 days away from work; 607 days of job restriction)
- » 2020 – 4 injuries (226 days away from work; 630 days of job restriction work)

Total Recordable Incident Rate (TRIR)

TRIR is an industry metric that provides a company a look at its past safety performance by calculating the number of recordable incidents per 100 full-time workers during a one-year period.

Republic's TRIR was listed at 11.64 in 2018 and 11.5 in 2020, however they did not provide a TRIR value for 2019. For reference, the industry standard TRIR for Solid Waste as reported in 2020 by the Bureau of Labor Statistics was 5.2. Republic's incident rate is higher than the industry average, however we do not have the backing data to give those figures context. R3 previously reviewed Republic's 2020 Annual Report to the City and at that time suggested for the City to request backing data to give context to their TRIR values.

Please note that due to the type of collection (manual rear-end loading versus automated side-loading) it is not unreasonable to assume a higher incident rate due to the difference of application of labor. Rear-end loading require drivers to manually lift carts into the collection vehicle, while automated side-loaders do not require the driver to leave the vehicle.

Hourly Accident Recordable Rate (HARR)

HARR is a measure of the number of vehicles operating hours between auto accidents (other vehicles and/or property) – the higher the HARR the better. Total driver hours divided by total incidents (vehicles and/or property).

Republic does not currently use HARR internally; however, R3 recommends incorporating the safety performance measure going forward.

Diversions Review

Republic did not provide R3 with detailed diversion data other than what was provided in the Annual Reports. R3 reviewed the tonnages from the last three annual reports (2018 - 2020). **Table 3**, on the following page, provides a breakdown of Republic's reported figures for the collected, disposed of, and processed material for 2018, 2019, and 2020.

Table 3: Republic's Diversion Summary

	2018	2019	2020
Residential			
Solid Waste	2177.21	2188.69	2248.1
Recycling	2134.14	1985.95	2019.65
Organics	2905	3304.36	3290.9
City			
Organics	539.42	663.92	552.62
Industrial			
Solid Waste	172.62	150.08	117.89
Roll-Off (Dirt)	136.13	14.93	61.28
C&D	1085.4	1092.28	1045.37
Total Disposed	2349.83	2338.77	2365.99
Total Recycling	3355.67	3093.16	3126.3
Total Green Waste	3444.42	3968.28	3843.52
Total Material Collected	9149.92	9400.21	9335.81
Diversion	74.32%	75.12%	74.66%

As shown, Republic is surpassing the 65% diversion requirement from the Agreement.

Maintenance Review

Methodology

R3 requested and reviewed data pertaining to vehicles, vehicle maintenance, maintenance staffing, and associated processes and procedures. R3 conducted an in-person interview of the Maintenance Supervisor to gain an understanding of the maintenance practices of Republic.

Findings

Procedures for Acquisition, Maintenance, Safety Check, and Replacement of Equipment

Fleet maintenance is a critical function of any collection system and evaluating the effectiveness and interaction of that function with collection operations is a critical component of the overall assessment of collection system performance.

Our review of Republic's vehicle maintenance, repair and replacement procedures included the following tasks:

- » Review of the current vehicle list, average fleet age and vehicle spare ratio;
- » Review of routine maintenance procedures and schedules for residential and commercial collection vehicles; and
- » Review of pre-trip and post-trip inspection practices and communication between drivers, dispatchers, and maintenance personnel.

The primary objective of this task was to determine if Republic is maintaining vehicles in a safe operating condition. Based on our review, Republic appears to be maintaining vehicles in a safe operating condition, however pre-trip inspections are not practiced as instructed and need to be corrected.

Vehicle to Mechanic Ratio

Republic has a Maintenance Supervisor who oversees six (6) mechanics, and two (2) technicians. At the time of the interview with the Maintenance Supervisor, Republic was actively looking for another mechanic. Please note that this launch site is housing the collection vehicles to all of Republic's operations in the region, with the maintenance division servicing them all. While no maintenance personnel are dedicated to cover collection vehicles assigned to operate within the City, Republic's operational structure and planning allow for adequate and effective coverage to address any maintenance needs for the City.

Maintenance Procedures

Republic reported that maintenance operations, maintenance software, and data tracking procedures are not materially different from what they were at the time of the 2015 Performance Review. Republic's collection vehicles are maintained on site. Two (2) mechanics work the morning shift, AM while the remaining crew works the mid-morning to evening shift.

Maintenance records are maintained for each vehicle, which are tracked in separate folder jackets and separated by type of repair or maintenance, as well as in an electronic database. That database tracks individual work orders by vehicle and includes the service date, vehicle operating hours, maintenance function performed, parts installed or replaced, mechanic(s) responsible for the repair, and parts costs. The Preventative Maintenance (PM) schedule is triggered by the total vehicle operating hours that are tracked and reported daily by the route driver and maintenance staff.

Republic uses a PM schedule based on vehicle hours, with the following breakdown:

- » (A) 150 hour – General inspection
- » (B) 900 hours – Oil (+ A)
- » (C) 1800 hours – Engine (+ A & B)
- » (D) 2700 hours – Transmission (+ A, B, & C)
- » (E) 5400 – Hydraulics (+ A, B, C, & D)

Additionally, companies are required to inspect each vehicle every 90 days as part of the California Highway Patrol's (CHP) Biennial Inspection of Terminals (or BIT Program) requirements. The BIT Program inspection requirements are coordinated with Republic's preventative maintenance schedule when possible.

A PM Inspection form is completed each time a vehicle undergoes PM services. Routine maintenance includes the following:

- » Lubricating chassis;
- » Changing engine oil and filters;
- » Changing hydraulic fluid and filters;
- » Changing coolant, hydraulic and fuel filters;
- » Checking tire air pressure and tread depth;
- » Checking brakes;
- » Checking safety equipment, back-up alarm and horn; and
- » A wide range of other items.

Non-scheduled repairs are also performed on-site.

Pre- and Post-Trip Inspection Practices

Federal regulations require pre-trip and post-trip inspections of vehicles by drivers or operators of commercial motor vehicles and a written inspection report. The regulations require that the driver verify that the vehicle is in safe operating condition and review the last driver vehicle inspection report (DVIR). If defects or deficiencies were noted by the driver who prepared the DVIR, the driver is required to sign the DVIR to acknowledge that the driver has reviewed it and that there is a certification that the required repairs have been performed.

Republic's pre- and post-trip inspection practices are designed to satisfy federal regulations. All route drivers are required to perform pre- and post-trip vehicle inspections and file a DVIR. One (1) copy of each DVIR is filed with maintenance and the other copy is kept and filed in the truck. If the driver notes items related to safety or performance, the vehicle is not put into service until maintenance personnel have declared it road worthy. If the driver notes an item not related to safety or performance, such as the radio not functioning properly, the problem is corrected by maintenance crews as time permits.

Any required repairs are noted on the DVIR report. After a repair is completed, maintenance staff are required to sign off on the repair. The driver then verifies that the repair was made and signs off on the repair. The Shop Manager/Maintenance Supervisor files and maintains copies of all DVIRs.

During R3's onsite review, pre-trip inspections were observed for the collection vehicle site launch. Application of the pre-trip process varied by individual while some drivers conducted walk-arounds and others simply entered their vehicle and exited the yard. Not one driver conducted a 5-minute brake test (Maintenance Supervisor confirmed that the 5-minute brake test is an included and expected part of Republic's pre-trip inspection).

A standard pre-trip inspection should last 18-21 minutes (including the 5-minute brake test). All Republic drivers observed during the site visit exited the yard within 9 minutes of the time in which they started their vehicles.

Customer Service Review

The purpose of the Customer Service Review was to assess Republic's Customer Service Program and examine the procedures for receiving and resolving customer complaints.

Methodology

R3 requested customer service records and conducted staff interviews. The review included but was not limited to staff training, missed pick-ups, complaints, compliments, delinquency notices, and service interruptions due to non-payment.

Findings

R3 found that Republic operates a sophisticated and professional customer service operation. CSRs appear to be responsive, courteous, dedicated, and qualified. CSRs and the Customer Services Representatives Manager (CSR Manager) are held to high expectations, and the training programs, technologies, and data tracking systems all appear to be sufficient to meet general expectations. Specific findings relating to each of the key areas reviewed are discussed below.

Customer Service Practices

Republic has Customer Service Representatives on site 7 AM to 6 PM Monday through Friday at their call center located in Richmond. If calls are made outside of those hours, or if call volume is especially high, the call is rerouted to their Pacheco customer service main hub. The Agreement required Republic to include in their Annual Reports the CSR Data regarding call volume by month, answer time, all compliments, and complaints.

Operational Performance Review

The summary of the last three years, 2018 through 2020, is found in **Table 4** below. R3 also included the data on missed pick-ups in this table as well as those are calls handled by the CSR staff.

Table 4: Customer Service Data Summary

	2018*	2019	2020
Call Volume	649	564	502
Answer Time (minutes)	1.11	0.27	0.19
Compliments			7
Complaints	16	25	37
Missed Pick-Ups	462	622	1083

* 2018 was the start of the new Agreement, July through December

As shown in **Table 4** above, response time has consistently improved over the last three years, falling within the Agreement required response time. Missed pick-ups are an ongoing problem, however it should be noted that the spike from 2019 and 2020 was described by Republic in their Annual report as being caused by many customers changing their subscription levels due to the effects of the Covid-19 Pandemic.

Recommendations

Management and Administrative Review

- » Implement the onboard tablets for collection vehicles.

Operational Performance Review

- » Continue listing the safety metrics using the Total Recordable Incident Rate (TRIR) and Modification Factors in the Annual reports as was done in 2020.

Maintenance Review

- » Retrain drivers on Pre-Trip Inspection process and appoint a Route Supervisor to oversee each morning launch to ensure all drivers are following the process correctly.

Customer Service Review

- » Continue to focus on addressing the missed pick-up issues as effectively and efficiently as possible.

5. AUDIT OF BILLINGS AND REVENUE REPORTING

Objective

The objective of the Billings and Revenue Audits was to review and assess Republic's billing and financial management system, the calculation of revenues, and reporting of financial information as required by the franchise agreement with the City.

These audits included:

- » Verifying customers are correctly tracked in Republic's system and are being billed accurately;
- » Verifying that Republic is correctly calculating Gross Rate Revenues, and is properly remitting franchise fees and liquidated damages; and
- » Verifying that customer rates have been correctly calculated and applied.

Methodology

As part of the Audit of Billings and Audit of Revenue Reporting, R3 reviewed the following items:

- » Customer billing records;
- » Examination of the total Gross Rate Revenue reported monthly;
- » Franchise fee payments;
- » Liquidated damage transactions;
- » Status of delinquent accounts and collection.

Findings

Audit of Billings

The intent of the Audit of Billings is to verify that customers are receiving the type and level of service for which they are billed. Our approach to this Task involved the following tasks:

- » A Customer Billing Records Review;
- » A Field Audit; and
- » A Billing Audit.

Customer Billing Records Review

The purpose of this review was to determine if the rates Republic is charging residential and commercial customers are consistent with the approved rate schedule.

The Billing Review involved the following tasks:

- » Republic was asked to provide an electronic copy of its 2018, 2019, and 2020 Billing Record, which was to include, among other things, service levels/billing codes and billed amounts for Republic's residential, commercial, and roll-off services;

Republic provided R3 with their latest billing cycle charges. R3 was able to verify that Republic is accurately charging the approved service to all of the accounts within the City. Republic informed R3 that the system they use to conduct billing will automatically update all accounts with the new approved rates, thus insuring accurate billing.

Field Audit

The purpose of a field audit is to verify that the customers are receiving the correct level of service that they are being charged. Republic provided R3 with route sheets which included the addresses of residential and commercial accounts with their corresponding service levels. R3 visually verified the size

Audit of Billings and Reporting

of the collection containers and matched them against what was listed as the collection containers at a given address.

The field audit proved to be difficult as the 20-gallon carts and the 35-gallon carts were identical. In the City, the 20-gallon carts were 35-gallon carts with inserts to reduce the volume allowed into the cart to the 20-gallon amount. In most jurisdictions R3 has worked in, these inserts are clearly visible from the outside, however the way the inserts in the City were designed the 20- and 35- gallon carts are indistinguishable from one another. As such, R3 was unable to verify the accuracy of the service levels for customers subscribed to the 20- and 35-gallon carts. R3 did check all the customers subscribed to the 65- and 96-gallon carts and found they were 100% accurate.

R3 recommends that Republic conduct an internal field audit specifically focused on the 20- and 35-gallon customers to verify that the customers are accurately being serviced their subscribed service levels.

Billing Audit

The purpose of a billing audit is to confirm that the customers are being billed by the approved rate that matches the subscription level they are subscribed to. The billing rate charged, and the service level provided, can become mis-aligned due to requests for a change in services. When the collection containers are switched out, it is not uncommon for the change in collection size to not get documented within the system, thus creating discrepancies between what service level is being provided and what service level charge is being applied.

While R3 could verify that the customers were getting billed the approved rates based on their recorded subscription levels, due to the issues identified during the field audit pertaining to differentiating between the 20- and 35-gallon carts, it was not possible to verify with accuracy that the customers were getting billed the amount that they were actually receiving service for.

Audit of Revenue Reporting

The purpose of the Audit of Revenue Reporting was to determine if Republic is correctly calculating Gross Rate Revenues and is properly remitting franchise fees and any assessed liquidated damages. This task includes a test of revenue transactions, a test of franchise fee and other fee transactions, a review of liquidated damages assessed, and a review of annual rate adjustments.

Audit of Gross Revenue

Republic submitted to R3 their annual cash receipts for the years 2019 and 2020. The following table, [Table 5](#), is the comparison of the cash receipts provided to R3 against the cash receipts reported to the City:

Table 5: Cash Receipt Check

Year	Cash Receipts provided to R3	Cash Receipts Reported to City	Difference
2019	\$4,557,928.72	\$4,559,033.94	-\$1,105.22
2020	\$4,767,026.83	\$4,766,743.02	\$283.81

As shown, there is a small discrepancy between the figures. In 2019 Republic appears to have received \$1,105 dollars less than they reported to the City, and in 2020 they appear to have received \$284 dollars more. While these amounts are both low, they do affect the amount of franchise fee payments made to the City. These deviations may be grounds to conduct end-of-year reconciliations to ensure there are no over or under payments of franchise fees from Republic to the City.

Audit of Franchise Fee Transactions

Per the Franchise Agreement, the Republic shall pay to the City a Franchise Fee equal to the percent of Gross Rate Revenues, which currently is five and a half (5.5) percent.

The purpose of this test was to determine if the Franchise Fees were properly calculated in accordance with the terms of the Agreement, and properly remitted to the City for calendar years 2018, 2019, and 2020. **Table 6**, on the following page, provides R3's check of the franchise fee calculation for those calendar years.

Table 6: Franchise Fee Calculation Check

		Industrial	Commercial	Residential	Total
2018	Revenue	\$ 102,750.96	\$ 99,360.95	\$ 3,748,186.07	\$ 3,950,297.98
	Reported Franchise Fee Paid	\$ 5,651.30	\$ 5,464.85	\$ 206,150.24	\$ 217,266.39
	R3 Checked	\$ 5,651.30	\$ 5,464.85	\$ 206,150.23	\$ 217,266.39
2019	Revenue	\$ 61,480.62	\$ 113,717.01	\$ 4,383,836.31	\$ 4,559,033.94
	Reported Franchise Fee	\$ 3,381.43	\$ 6,354.44	\$ 241,111.00	\$ 250,846.87
	R3 Checked	\$ 3,381.43	\$ 6,254.44	\$ 241,111.00	\$ 250,746.87
2020	Revenue	\$ 102,008.94	\$ 116,137.27	\$ 4,548,596.81	\$ 4,766,743.02
	Reported Franchise Fee	\$ 5,610.48	\$ 6,387.55	\$ 250,172.82	\$ 262,170.85
	R3 Checked	\$ 5,610.49	\$ 6,387.55	\$ 250,172.82	\$ 262,170.87

As shown in the table above, except for the \$100 dollar difference found in the 2019 commercial franchise fee payment, the franchise fees were paid in accordance with the Agreement.

Recommendations**Audit of Billings**

R3 recommends that Republic conducts an internal audit focused specifically on the 20-gallon and 35-gallon containers, as R3 was unable to assess the accuracy of these service levels being provided to the correct customers due to their identical outwards appearance.

R3 also recommends that the City consider conducting end-of-year franchise fee reconciliations to ensure the accuracy of franchise fees paid to the City.