



SBWMA Technical Advisory Committee (TAC) Meeting

THURSDAY, September 14, 2017 at 2:00 p.m.

San Carlos Library
Conference Room A
610 Elm Street, San Carlos, CA 94070

AGENDA

1. Roll Call

2. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting.

If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

3. Executive Director's Report – Update on Franchise Agreement Extensions

4. Approval of Consent Calendar:

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

A. Approval the June 8, 2017 TAC Meeting Minutes

5. Compensation Applications

A. Review the SBWMA Final Report Reviewing the 2018 Recology San Mateo County Compensation Application

B. Presentation by HF&H Consultants on Future Rate Projections (through 2022)

Note: Member Agency Specific Rate Projections to be forwarded directly by HF&H by Friday, September 8

C. Review of the SBWMA Final Report Reviewing the 2018 South Bay Recycling Compensation Application

6. Long Range Plan Update

A. Staff Update on the Public Spaces Project – Presentation by Kevin Russell, Public Spaces Fellow

7. Contractor Program Feedback

A. Recology

B. South Bay Recycling

8. Future TAC Agenda Items

9. TAC Member Comments

10. Adjourn

MEMBER AGENCIES

ATHERTON * BELMONT * BURLINGAME * EAST PALO ALTO * FOSTER CITY * HILLSBOROUGH * MENLO PARK * REDWOOD CITY
* SAN CARLOS * SAN MATEO * COUNTY OF SAN MATEO * WEST BAY SANITARY DISTRICT



EXECUTIVE DIRECTOR'S REPORT

(Verbal Report Only)



CONSENT CALENDAR



DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE TECHNICAL ADVISORY COMMITTEE

June 8, 2017 – 2:00PM.

San Carlos Library Conference Room A

Call to Order: 2:06PM

1. Roll Call

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park		X
Belmont	X		Redwood City	X	
Burlingame	X		San Carlos	X	
East Palo Alto		X	San Mateo	X	
Foster City	X		County of San Mateo	X	
Hillsborough	X		West Bay Sanitary District		X

2. Public Comment

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None

3. Approval of Consent Calendar:

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- A. Adopt the May 3, 2017 TAC Workshop Minutes
- Member Murray made a motion to accept the May 3 Meeting Minutes
- Member Tong seconded the motion
- Voice Vote: All in favor

4. Brief Agency Updates (Joe La Mariana/Hilary Gans, RethinkWaste)

- A. FY 17-18 Projects

Executive Director La Mariana noted that the FY17/18 budget was approved at the May Board meeting, and staff will be working on Long Range Plan programs in the coming year. Including, the Public Spaces Project in an effort to get high functioning standard containers in public spaces throughout our service areas. Staff will also be working on expansion of the schools and public outreach program. He also noted the recruitment for the open Public Outreach Manager will be starting as well. Lastly, he noted

that the SBWMA office will be going through a refresh, and the finished product will make a sustainability statement.

Chair Oskoui asked what the plan was for engaging Member Agencies for feedback on the public spaces pilot.

Executive Director La Mariana answered that fellows will be involved in engaging Member Agency feedback and working with the agencies on the public spaces program.

Chair Oskoui commented that it would be hard to get consensus among all the Member Agencies.

B. Fire Suppression Action Plan---Updates

Staff Gans gave an update on the Shoreway fires, and plans for mitigating fires in the future. He also noted that the fire was likely a lithium ion battery, and that that fires at the MRF are not uncommon. He noted that the battery collection programs will likely be restructured, but first the problem needs to be understood better. There is no mechanical way to get batteries out of the tip floor pile once they end up in the carts, since they are not magnetic. He noted that together with Dwight Herring of SBR they've created a fire mitigation plan, that the Board has reviewed, and RRS an industry leader has been hired to take a deeper dive into the battery issue and help create a plan. He noted that the SBWMA's property insurance is expiring at the end of June, and premiums are going up from \$180K to \$600K and the deductible is going from \$5,000 to at least \$1.5M. He concluded by noting that there will be a fire mitigation plan update at the September Board meeting, so the TAC will be hearing more in the future.

Staff Gans also noted regarding the long range plan projects that the mixed waste processing system would also be picked back up.

Executive Director La Mariana added that additional fire suppression sprinklers have already been added and directed at the equipment.

Member Lorenz requested that there be messaging in the meantime about what goes where and that batteries don't go in any of the carts.

Chair Oskoui asked if the increase in insurance premium was in the FY17/8 budget, or if it would require a budget modification.

Executive Director La Mariana answered that it was already in the budget.

C. Expiring Materials Contract Update--Organics; Disposal

Staff Gans noted that staff would be doing an RFP for organics processing. Shoreway has about 100,000 tons of compost, about 15 tractor trailer loads a day, and currently about 7 go to the Recology facility in Vernailis, and 7 go to Republic facility, Newby in San Jose. He noted that the Newby facility is much closer, but it's also a much more expensive tip fee, but when you factor in the transportation cost to Vernailis, the total cost to process is about the same about \$70 per ton. He also noted that composting is not cheap it costs about \$10 more per ton to process organics than it does to take tons to the landfill. He also added that like landfills, there are not many composting facilities. He noted that staff

is hoping to get responses from potential composting facilities that can process our organics tons by the end of July and have Board action in September.

Member Murray asked if Newby was still an option.

Staff Gans answered yes, but staff wants to do an RFP, to see what other options there are.

Chair Oskoui asked if the RFP was just for the tip fee, and if there were other players than the two already being used.

Staff Gans answered there are, but there are distance factors, and added distance might mean added capital needs to accommodate for the extra distance. He also noted that the RFP is just for the tip fee, then staff will calculate the additional transportation costs to weigh the options.

Member Tong asked if there was any talk of adding a composting facility in the region.

Executive Director La Mariana answered that he talked to Ox Mountain, and there seems to be no interest, and these type of facilities need flat accessible land that is far away from the population base.

5. Franchise Agreement Negotiations—Process Update (Joe La Mariana)

- A. Negotiation process—status report
- B. Key remaining milestones
- C. Agency support options available for Member Agencies
- D. Future planning resources & considerations

Executive Director La Mariana gave a snap shot report on the status of the negotiations similar to the Board report out on the 25th of May, and what is remaining in in the process. He noted that since November negotiations with Recology have been in good faith. During the last month the SBWMA team presented to all 12 Member Agencies, a TAC workshop to 45 people, a City Managers meeting at a legal review meeting, and the team was able to get a better understanding of the public decision making process. He also noted the high level questions and comments received during the presentations including; a high level of satisfaction with Recology, and maintaining the current services. He added that there were a lot of questions about future rates, which cannot be answered yet, so staff is providing for on-call consulting services to help the Member Agencies get from rate year 2017 to rate year 2021 as smoothly as possible. Member Agencies would be billed back for those services. He also noted that there were a lot of questions about the 10 year versus the 15 year contract, which is simply a function of the economics of the proposal the 15 year term saves about 4%. He then added that there was a lot of discussion of bulky item collection and abandoned waste issues, and he suggested putting a committee together of the affected agencies and come with a plan and get costing information from Recology. He also noted that the issue for G&A came up very loudly, at three different meetings, and the need for a better deal was strongly expressed. And finally, he added that the last point brought up was the early depreciation roll forward, there we a lot of questions on that. He then went over the next steps in the process, noting that June 22 it will on the Board agenda for consideration and approval, but with the caveat that there is a chance it will roll into the July depending on how the G&A issue gets resolved. He then noted staff is looking at having resources available to Member Agencies to help smooth the rate transition between 2017 and 2021 currently projected at 10.2% with consultant support that is available at an already established pricing structure.

Chair Oskoui reminded the TAC members to look ahead at the calendar of Council decisions.

Executive Director La Mariana noted that the end goal is to have at least 8 signed agreements by the end of 2017, and that it's a two-step process. Once to approve the model agreement, and once to approve the individual franchise agreement. He also added that this allows for 3 rate years to get to a place of smoothing out the rates before the new contract goes into effect.

Member Murray commented that this was a really tight timeline, and expressed concern that by the end of 2017 would not give the Member Agencies enough time to negotiate individual changes. She then asked for an update on the Bulky Item Collection.

Executive Director La Mariana noted that an abandoned waste and Bulky Item collection subcommittee of 5-6 agencies would be put together to come up with common language and common pricing for these services.

Member Gibbons asked if the 15 year extension had clearer language about the end of the contract.

Executive Director La Mariana answered that there is a one year and a 5 year extension option written into the contract.

6. Annual CalRecycle Reporting (Nanette Hansel, *Ascent Environmental*)

- A. Brief History:
 - i. IWMP Overview (Joe) + AB 939 Roots (Nanette)
 - ii. Expanded legislation and program priorities (Nanette—rest of section)
- B. CalRecycle's Priorities and Program Emphasis
- C. Annual EAR/Program Planning Considerations
- D. Reporting Process, Observations & Recommendations
- E. Q+A

Nanette Hansel of Assent Environmental gave a power point presentation. She noted that she has worked with the SBWMA for 19 years, and prepared the Cal Recycle reports since 1999. She gave background and history of AB939, noting that the 1991 County source reduction and recycling element (SRRE) is the base line number for the reports, and in 2007 with the passage of SB1016 the measurement went from estimated based on an adjustment method to a per capita disposal target, and a 2-4 year review cycle. She also noted that the next review cycle for the SBWMA cities would be in 2019. She then gave an overview of what she does for each of the Member Agencies, and the steps of the EAR process. She then listed all of the legislation affecting the waste industry, and gave an overview of their effects.

Member Tong asked what the difference is between what Nanette does and what the SBWMA does.

Nanette Hansel answered that she doesn't do the County EAR.

Executive Director La Mariana added that the County has a dual role and does the County Integrated Waste Management plan but not an agency annual report.

7. Contractor Program Feedback (*Recology; South Bay Recycling*)

Recology:

Mike Kelly General Manager of Recology noted that this time of year is business as usual, but they are gearing up for all the summer events.

SBR:

Dwight Herring general manager of SBR noted that next week SBR would be hosting a battery summit with industry leaders and battery recyclers from around the nation. RRS who the SBWMA has contracted with is an industry expert in the field of batteries will be leading the summit. The second day of the summit will be a stake holders meeting.

Executive Director La Mariana asked if TAC members could come to the summit.

Dwight Herring answered yes, if they would like to.

Chair Oskoui asked to send the summit agenda to the TAC so they could RSVP if they would like to come.

Dwight Herring then noted that the truck shop has been facing challenges for over 6 years. Now, there is a covered area for mechanics as well as a hazardous waste collection area.

Staff Gans noted that the truck canopy project is related to improving storm water quality testing.

Dwight Herring then noted that SBR has recently had two major inspections. The first, Cal OSHA where they received notice that the exit doors need to stay clean. The second, CHP which SBR passed 100%.

Dwight Herring then concluded his presentation by noting that commodity values are increasing.

Executive Director La Mariana asked if values have completely recovered to before the dip.

Dwight Herring answered not yet, but containers are staying flat.

8. Future TAC Meeting topics & Scheduling Considerations (Joe La Mariana/Hilary Gans, *RethinkWaste*)

Executive Director La Mariana gave a summary of his plan for TAC meetings going forward to maintain great engagement with the TAC. There will be four TAC meetings per year:

- June – Cal Recycle Day and Electronic Annual Reports
- September – Compensation Applications and Public Education plan for the following year
- October – Site/Capital improvement plan, and high level feedback on SBWMA resources
- March – Legislative Overview and priorities

Chair Oskoui summarized the meeting plan noting that all of the TAC meetings would stay on the calendar in case an issue the TAC needed to address, but that four meetings would be planned throughout the year.

9. TAC Member Comments**10. Adjourn 3:19PM**



COMPENSATION APPLICATIONS

STAFF REPORT

To: SBWMA TAC Members
From: Joe La Mariana/HF&H Consultants
Farouk Fakira, Finance Manager
Date: September 14, 2017 TAC Meeting
Subject: Review of the SBWMA Final Report Reviewing the 2018 Recology San Mateo County Compensation Application

Recommendation

This staff update is for discussion purposes only and no action is requested of TAC.

Analysis

The SBWMA Draft Report Reviewing the 2018 Recology Compensation Application issued to the TAC and Board on August 11, 2017 addresses Recology's compensation due for 2018 and the Total Revenue Requirement. The Member Agencies are obligated to set rates to generate revenue to match the 2018 Total Revenue Requirement. Any shortfall in net revenue to Recology will result in an interest payment to Recology in the subsequent rate year (e.g., 2017 final surplus or shortfall is determined in 2018 and included in 2019 revenue requirement).

The Member Agencies were requested to submit comments on the Draft Report to the SBWMA by August 25. The Draft Report will be revised based on the feedback received from the Member Agencies and the Final Report will be issued to the Board on September 21, 2017, for the Board's consideration at the September 28, 2017 Board of Director's meeting.

SBWMA Review of 2018 Recology Compensation Application

The results of implementing the cost adjustment methodology prescribed in the Member Agency's Franchise Agreements for Solid Waste, Recyclable Materials and Organic Materials Collection Service (Agreements) with Recology to determine the Rate Year Eight (i.e., 2018) compensation results in Total 2018 Contractor's Compensation of \$56,906,852, which is an increase of \$734,618 (1.3% increase from prior year) due primarily to the following:

- A scheduled reduction in Interest Expense that is -26.3% lower than prior year.
- Increased payment to Recology of diversion based Performance Incentive/Disincentives.

Recology's 2018 compensation is compared to 2017 in **Table 1** below.

Table 1

Total Contractor's Compensation	Recology Compensation			
	2017 Cost	2018 Cost	Change	%
Base Compensation	\$ 56,187,035	\$ 56,793,053	\$ 606,018	1.1%
Incentives / Disincentives	(14,802)	113,799	128,600	868.8%
Total Contractor's Compensation	\$ 56,172,233	\$ 56,906,852	\$ 734,618	1.3%

The adjustments to compensation for 2018 represent an increase in the base compensation of 1.3% or \$734,618 from 2017. The results of the adjustment process are detailed by expense category in Table 3 of the Draft Report.

As discussed in detail in Section 3.A of the Draft Report and adjusted for recent Member Agency's request for refunds, Recology's 2018 compensation includes several cost or revenue adjustments such as including the prior year's under or over payments to/from Recology. These include:

- Performance Incentive/Disincentive payments (and additional Liquidated Damages) for 2016
- 2016 Revenue Reconciliation shortfall (net of refund or payment and plus interest) of (\$342,150)

The 2016 Revenue Reconciliation balances owed to/from Recology are a true-up of what was paid to Recology versus what was owed and the resulting interest payment for any shortfall. This is not due to any change in Recology compensation but rather due to more or less revenue generated to pay the approved compensation.

Changes from August 11, 2017 SBWMA Draft Report (i.e., Table 8) to September 21, 2017 SBWMA Final Report

The following changes have been made to Table 8 (**Exhibit A**):

- Added the total on line (E.1) which does not affect any other total or percentage in Table 8.
- Atherton's 2016 Revenue Reconciliation surplus was refunded and their balance in section B. is now showing zero.
- Total Percentage in B.5 is now positive 0.6%. It was impacted by the change for Atherton.
- Total Surplus/ (Shortfall) on F.2 was impacted by the surplus refund to Atherton and the total Percentage on line F.3 is now a positive 0.4%.

Rate Setting and Approval Process

This SBWMA Draft (and Final) Report and recommendation is to determine the compensation owed to Recology for collection services in 2018. This Report also provides Table 8 (**Exhibit A**) which establishes the final Revenue Requirement that will be used as the basis for recommending the 2018 rate adjustments. The Revenue Requirement includes compensation to Recology for solid waste, recyclables and organic materials collection and Pass-Through costs, which include Agency fees, and disposal and processing costs at the Shoreway Environmental Center.

Article 11 of the Franchise Agreements states the following:

- Each Member Agency is obligated to set rates as necessary to generate annual gross revenues billed by Recology equal to the approved compensation amount plus all approved pass-through costs.

- If an Agency sets a rate that is below the approved recommendation contained in the Final Report, or if an Agency delays imposing a rate increase effective January 1, 2018, and net revenues billed by Recology in 2018 are less than needed to cover the approved total contractor's compensation delineated in the Final Report, the Agency will be obligated to pay interest to Recology on the difference.

Background

In 2005, the SBWMA and its Member Agencies initiated a five and a half year collection services contractor selection process that resulted in Recology and the Member Agencies executing Franchise Agreements ("Agreements") for Collection Services. Eleven of the twelve SBWMA Member Agency Agreements have the same methodology used to calculate the compensation paid to Recology. One Member Agency (i.e., City of Belmont) used a different compensation methodology; however, use of this different methodology has no bearing on the costs or services provided to the other 11 Member Agencies. Inclusion of the City of Belmont in the cost calculations with the other 11 Member Agencies is necessary in order to accurately implement the cost allocation process prescribed in the Agreements.

The compensation adjustment methodology provisions in the Member Agency Agreements are contained in Article 11, Attachment K and Attachment N. Article 11 provides an overview of the methodology and describes the process by which aspects of the compensation adjustment process shall be implemented.

Note: In this staff report and all attachments, the term "cost" and "compensation" are intended to have the same meaning. The term "cost" is not intended to mean Recology's true operating cost which is unknown, but rather what the company is paid to perform the services.

Fiscal Impact

Variance Analysis

Rate revenue from the total SBWMA Member Agencies is calculated to require a weighted average increase of 3.0% (**Exhibit A**, Table 8, row C.3) for 2018 rates to cover the Total Revenue Requirement for the Recology cost, pass through costs, and the prior year's revenue reconciliation surplus/shortfall (**Exhibit A**, Table 8, row B.1 and B.2). Tables comparing 2018 costs to 2017 costs and showing the components of the 2018 rate adjustments by Member Agency are included in the Draft Report as Appendix D – Member Agency Variance Analysis of Total Collection Cost and Rate Impact.

Total Collection Rate Adjustment

The total rate adjustment is provided in the Draft (and Final) Report in **Table 8 (Exhibit A)**. This table presents the Total Collection Rate Adjustment from all sources that impact rates by Member Agency, as follows:

- **Section A** - This section provides the estimated 2018 Collection Revenue using 2017 rates (**A.1**), the 2018 Total Recology Compensation (**A.2**) and Pass-Through Expenses (**A.6**) used to determine the 2018 Revenue Requirement (**A.7**), the estimated 2018 Surplus/Shortfall balance with Recology (**A.8**), Agency Fees on shortfalls (**A.9**), and the Rate Adjustment Percentage (**A.10**). *The overall SBWMA rate adjustment is a 2.4% increase; however, each Member Agency has a different adjustment percentage.*
- **Section B** – This section provides the results of the 2016 Recology Revenue Reconciliation surplus/shortfall that must be added to the 2018 rate adjustment. *The overall SBWMA rate adjustment is a 0.6% increase; however, but each Member Agency has a different adjustment percentage.*

- **Section C** – This section provides the 2017 Required Rate Adjustment which is the sum of sections A and B. The overall SBWMA rate adjustment is positive 3.0%; however the rate adjustment percentage varies between the Member Agencies.
- **Section D** – This section provides the “2017 estimated surplus/(shortfall)” balance with Recology (D.1), including the adjusted 2015 surplus/shortfall (D.2) and the associated Agency Fees on any net estimated shortfall (D.4). The 2017 Revenue Reconciliation will be finalized in 2018, similar to how the 2016 Revenue Reconciliation was finalized in 2017.
- **Section E** – This section includes an adjustment for Belmont’s unique agreement with Recology. The refunds received from Recology as a result of a surplus or shortfalls paid out to Recology were netted against the surplus or shortfall of the agency impacted. (Please note that **Exhibit B** attached to this staff report provides the refunds from Recology for surpluses and the payments to Recology for shortfalls for 2014, 2015, 2016 and 2017.)
- **Section F** – This section provides the “Cumulative Revenue Requirement” of \$99,957,750 (F.1) and the cumulative surplus/shortfall of (\$401,722) (F.2) which includes the result of Sections D and E. The overall SBWMA recommended rate adjustment is on line (F.3). Each Member Agency is obligated to set rates to generate its respective revenue needed as denoted in Section F per the MOU between Recology and SBWMA. Agencies that set rates lower than delineated in Section F and experience a shortfall in revenue are liable for future interest charges from Recology.

Attachments:

Attachment A – Table 8 (from September 21, 2017 SBWMA Final Report Reviewing the 2018 Recology San Mateo County Compensation Application).

Attachment B – Member Agency Refunds from Recology for Surpluses and Payments to Recology for Shortfalls

SBWMA									
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY									
as of 09/21/2017		2018 Rate Year							
	Total	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	
A. 2018 RATE YEAR									
A.1	2018 Collection Revenue @ 2017 Rates	\$99,556,028	\$3,124,598	\$6,256,104	\$10,740,701	\$4,564,761	\$5,400,749	\$3,004,424	\$10,914,329
A.2	Total Recology Compensation	\$56,906,852	\$1,356,594	\$3,607,764	\$5,727,633	\$2,327,694	\$3,443,040	\$1,945,283	\$5,720,090
A.3	Pass-Through Costs								
A.4	Disposal & Processing Fees	\$30,300,105	\$1,059,087	\$1,610,354	\$3,452,850	\$1,716,395	\$1,771,868	\$815,817	\$3,335,001
A.5	Agency Franchise Fees	\$14,361,834	\$321,455	\$1,646,723	\$1,780,784	\$628,019	\$353,815	\$274,484	\$1,738,047
A.6	Total Other Pass-Through Costs	\$44,661,938	\$1,380,542	\$3,257,077	\$5,233,634	\$2,344,414	\$2,125,683	\$1,090,302	\$5,073,048
A.7	2018 Revenue Requirement	\$101,568,790	\$2,737,135	\$6,864,841	\$10,961,267	\$4,672,108	\$5,568,723	\$3,035,584	\$10,793,138
A.8	2018 Surplus/(Shortfall) estimated	(\$2,012,762)	\$387,463	(\$608,738)	(\$220,566)	(\$107,347)	(\$167,973)	(\$31,160)	\$121,192
A.9	Agency Fees on A.8 Shortfall	(\$362,781)		(\$158,272)	(\$30,879)	(\$10,238)	(\$8,399)	(\$3,116)	
A.10	Rate Adjustment Percentage (Associated with 2018 estimated Surplus/Shortfall)	2.4%	-12.4%	12.3%	2.3%	2.6%	3.3%	1.1%	-1.1%
<i>See Appendix D - Rate Variance Analysis for detail.</i>									
B. 2016 Final Surplus/(Shortfall)									
B.1	Surplus/(Shortfall) 2016 FINAL (incl. Interest)	\$56,970		(\$240,752)	(\$177,230)	(\$36,852)	\$185,086	\$143,804	(\$362,495)
B.2	Adjusted Surplus/(Shortfall) 2014 FINAL (incl. Interest)	(\$399,120)		(\$481,671)		(\$81,081)	(\$165,807)	\$448,106	
B.3	Net 2016 Revenue Reconciliation	(\$342,150)		(\$722,423)	(\$177,230)	(\$117,933)	\$19,279	\$591,910	(\$362,495)
B.4	Agency Fees on B.3 Shortfall	(\$285,188)		(\$187,830)	(\$24,812)	(\$11,248)			(\$47,124)
B.5	Rate Adjustment Percentage (Associated with 2016 Final Surplus/Shortfall)	0.6%		14.5%	1.9%	2.8%	-0.4%	-19.7%	3.8%
C. 2018 REQUIRED REVENUE ADJUSTMENT									
C.1	Cumulative Revenue Requirement (A.7-A.9-B.3-B.4)	\$102,558,909	\$2,737,135	\$7,933,366	\$11,194,188	\$4,811,527	\$5,557,842	\$2,446,790	\$11,202,757
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	(\$3,002,881)	\$387,463	(\$1,677,262)	(\$453,487)	(\$246,767)	(\$157,093)	\$557,634	(\$288,428)
C.3	Rate Adjustment Percentage (C.2 / A.1)	3.0%	-12.4%	26.8%	4.2%	5.4%	2.9%	-18.6%	2.6%
D. 2017 Estimated Surplus/(Shortfall)									
D.1	Surplus/(Shortfall), 2017 estimated	(\$686,574)	\$339,093	(\$590,765)	(\$138,932)	(\$172,236)	(\$118,835)	\$18,978	\$59,084
D.2	Adjusted Surplus/(Shortfall) 2015 FINAL (incl. Interest)	(\$83,648)		(\$1,146,288)	(\$5,222)	(\$3,928)	\$90,181	\$505,776	(\$93,842)
D.3	Net Estimated 2017 Revenue Reconciliation	(\$770,222)	\$339,093	(\$1,737,053)	(\$144,154)	(\$176,164)	(\$28,654)	\$524,754	(\$34,758)
D.4	Agency Fees on D.3 Estimated Shortfall	(\$494,569)		(\$451,634)	(\$20,182)	(\$16,802)	(\$1,433)		(\$4,518)
D.5	Rate Adjustment Percentage (Associated with 2017 Estimated Surplus/Shortfall)	1.3%	-10.9%	35.0%	1.5%	4.2%	0.6%	-17.5%	0.4%
E. Adjustments									
E.1	Miscellaneous Adjustment/Payment	(\$3,865,950)		(\$3,865,950)					
F. TOTAL RATE IMPACT									
F.1	Cumulative Revenue Requirement (C.1-D.3-D.4+E.1)	\$99,957,750	\$2,398,042	\$6,256,103	\$11,358,524	\$5,004,493	\$5,587,930	\$1,922,037	\$11,242,033
F.2	Total Surplus/(Shortfall) (A.1 - F.1)	(\$401,722)	\$726,556	\$0	(\$617,823)	(\$439,733)	(\$187,180)	\$1,082,387	(\$327,704)
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	0.4%	-23.3%	0.0%	5.8%	9.6%	3.5%	-36.0%	3.0%

Table 8

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 09/21/2017		2018 Rate Year					
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total	
A. 2018 RATE YEAR							
A.1	2018 Collection Revenue @ 2017 Rates	\$2,799,379	\$18,058,160	\$8,214,742	\$21,651,078	\$1,513,207	\$3,313,796
A.2	Total Recology Compensation	\$1,698,894	\$10,197,274	\$5,171,300	\$12,556,375	\$975,092	\$2,179,819
A.3	Pass-Through Costs						
A.4	Disposal & Processing Fees	\$885,319	\$5,812,142	\$2,217,723	\$6,309,780	\$425,024	\$888,745
A.5	Agency Franchise Fees	\$135,107	\$2,489,025	\$1,067,721	\$3,681,185	\$86,654	\$158,814
A.6	Total Other Pass-Through Costs	\$1,020,426	\$8,301,167	\$3,285,444	\$9,990,965	\$511,678	\$1,047,559
A.7	2018 Revenue Requirement	\$2,719,319	\$18,498,442	\$8,456,745	\$22,547,340	\$1,486,770	\$3,227,378
A.8	2018 Surplus/(Shortfall) estimated	\$80,060	(\$440,281)	(\$242,003)	(\$896,262)	\$26,437	\$86,418
A.9	Agency Fees on A.8 Shortfall		(\$60,098)	(\$29,040)	(\$62,738)		
A.10	Rate Adjustment Percentage (Associated with 2018 estimated Surplus/Shortfall)	-2.9%	2.8%	3.3%	4.4%	-1.7%	-2.6%
<i>See Appendix D - Rate Variance Analysis for detail.</i>							
B. 2016 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2016 FINAL (incl. Interest)	(\$7,172)	\$88,282	\$147,677	\$212,031	(\$14,679)	\$119,270
B.2	Adjusted Surplus/(Shortfall) 2014 FINAL (incl. Interest)	\$83,311		\$328,781	(\$378,002)		(\$152,757)
B.3	Net 2016 Revenue Reconciliation	\$76,139	\$88,282	\$476,458	(\$165,971)	(\$14,679)	(\$33,487)
B.4	Agency Fees on B.3 Shortfall				(\$11,618)	(\$881)	(\$1,674)
B.5	Rate Adjustment Percentage (Associated with 2016 Final Surplus/Shortfall)	-2.7%	-0.5%	-5.8%	0.8%	1.0%	1.1%
C. 2018 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.3-B.4)	\$2,643,180	\$18,470,258	\$8,009,327	\$22,787,667	\$1,502,329	\$3,262,540
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	\$156,199	(\$412,098)	\$205,415	(\$1,136,590)	\$10,878	\$51,256
C.3	Rate Adjustment Percentage (C.2 / A.1)	-5.6%	2.3%	-2.5%	5.2%	-0.7%	-1.5%
D. 2017 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2017 estimated	\$15,730	(\$215,341)	(\$48,479)	(\$34,464)	\$55,935	\$143,658
D.2	Adjusted Surplus/(Shortfall) 2015 FINAL (incl. Interest)	(\$10,259)	\$217,044	\$101,381	\$50,651		\$210,858
D.3	Net Estimated 2017 Revenue Reconciliation	\$5,471	\$1,703	\$52,902	\$16,187	\$55,935	\$354,516
D.4	Agency Fees on D.3 Estimated Shortfall						
D.5	Rate Adjustment Percentage (Associated with 2017 Estimated Surplus/Shortfall)	-0.2%	0.0%	-0.6%	-0.1%	-3.7%	-10.7%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C+D)	\$2,637,710	\$18,468,555	\$7,956,425	\$22,771,481	\$1,446,394	\$2,908,024
F.2	Total Surplus/(Shortfall) (A1 - F1)	\$161,669	(\$410,395)	\$258,317	(\$1,120,403)	\$66,813	\$405,772
F.3	Total Rate Adjustment Percentage (E2 / A1)	-5.8%	2.3%	-3.1%	5.2%	-4.4%	-12.2%

Table 8

Member Agency	Refunds from Recology to Member Agencies					Payments from Member Agencies to Recology				
	Year					Year				
	2014	2015	2016	2017	Total	2014	2015	2016	2017	Total
Atherton	(\$895,936)	(\$279,189)	(\$340,737)		(\$1,515,862)					
Belmont										
Burlingame	(\$1,223,751)				(\$1,223,751)					
East Palo Alto										
Foster City										
Hillsborough										
Menlo Park							\$183,561	\$176,439		\$360,000
North Fair Oaks										
Redwood City	(\$1,294,907)				(\$1,294,907)					
San Carlos										
San Mateo										
West Bay Sanitary District	(\$32,545)	(\$35,586)			(\$68,131)					
County Unincorporated										
Total	(\$3,447,139)	(\$314,775)	(\$340,737)		(\$4,102,651)		\$183,561	\$176,439		\$360,000

Exhibit B - Member Agency Refunds From or Payments To Recology

Agenda Item 5B

**Presentation by HF&H Consultants on Future Rate Projections
(through 2022)**

Presentation at the September 9, 2017 TAC Meeting

Agenda Item 5C

**Review of the SBWMA Final Report Reviewing the 2018 South Bay
Recycling Compensation Application**

No Staff Report attachments only at the September 14, 2017 TAC Meeting

Attachments:

Attachment A: from September 21, 2017 SBWMA Board of Directors Packet - Final Report Reviewing the 2018 South Bay Recycling Compensation Application



SBWMA FINAL REPORT REVIEWING THE 2018 SOUTH BAY RECYCLING COMPENSATION APPLICATION

September 7, 2017

TABLE OF CONTENTS

SUMMARY

SECTION 1. Overview of SBR Compensation Adjustment and Rate Setting Process

A. Shoreway Operations Agreement Terms	1
B. Calculation of Total Collection Revenue Requirement.....	1
C. Description of SBR’s Fees and Service Elements	3
D. Compensation Adjustment Process	3
E. Commodity Revenue Sharing	4

SECTION 2. South Bay Recycling 2018 Compensation Application

A. Analysis of SBR 2018 Compensation Application.....	4
B. Description of 2018 Compensation Adjustments	5

SECTION 3. Recommended SBR Fees Per Ton for 2018.....	6
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APPENDICES

Appendix A – SBR Cost Adjustment Worksheets

SUMMARY

The 2018 Shoreway Tip Fees are the basis for setting the Shoreway Pass-Through expenses that become part of the Total Collection expense and Revenue Requirement for each Member Agency upon which it sets its solid waste rates for 2018. The compensation paid to South Bay Recycling (SBR) for operations of the Shoreway Facility are a component of the Shoreway Tip Fee. After review of SBR's Compensation Adjustment Application, the Total Compensation for SBR in 2018 is recommended to be \$18,505,703 which is \$358,984 (1.9%) higher than in 2017.

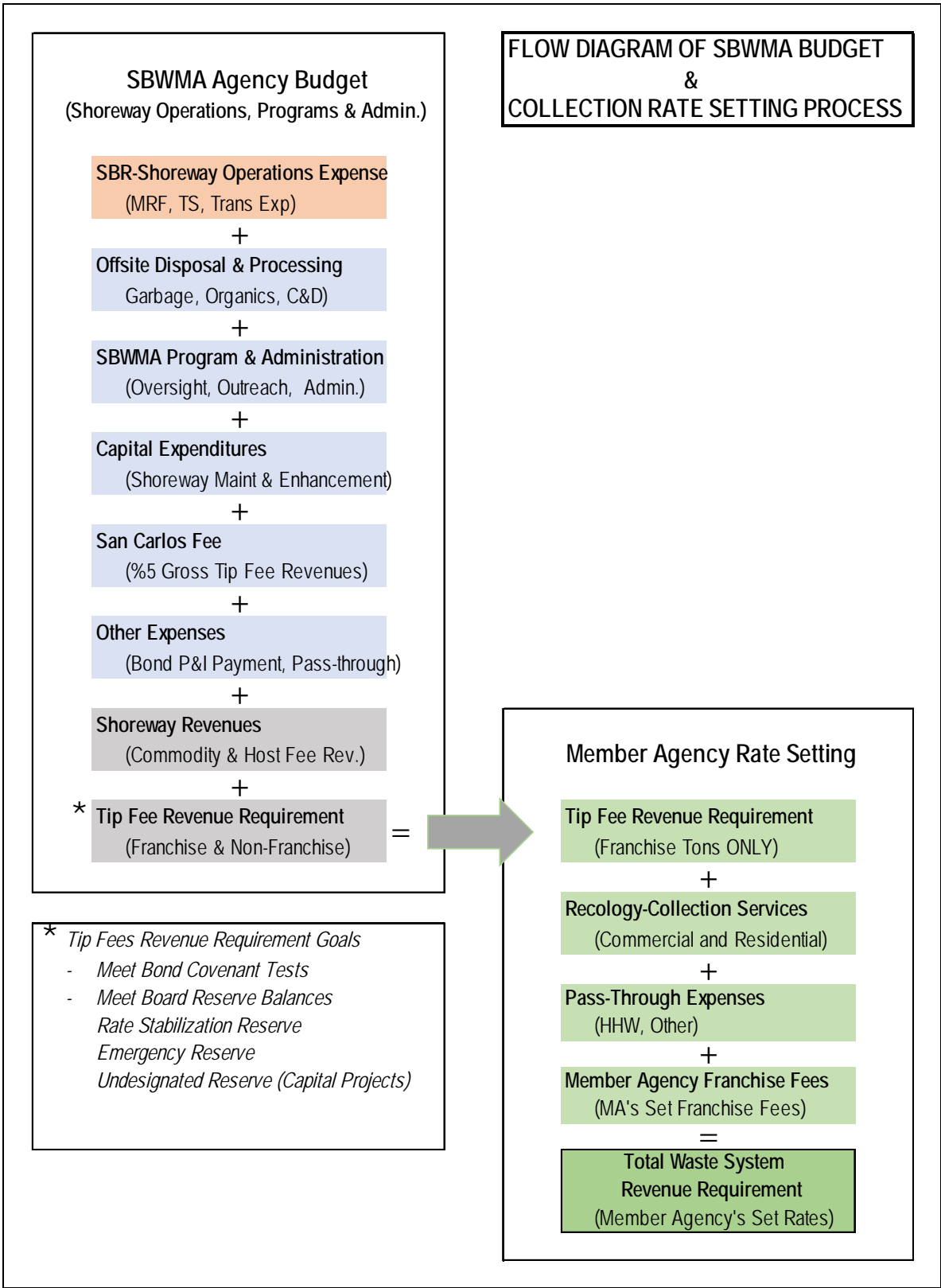
SECTION 1. OVERVIEW

A. Shoreway Operations Agreement Terms

South Bay Recycling, LLC (SBR) was selected as the facility operator on April 23, 2009, and a final Shoreway Operations Agreement ("Agreement") was approved by the Board on July 23, 2009. Article 7 and Attachments 13-A and B of the Agreement prescribe that the SBWMA is responsible for conducting the annual review and analysis of SBR's compensation application due by July 1st each year. The SBWMA is charged with performing a thorough review to ensure the application is complete and follows the prescribed compensation adjustment methodology in the Operations Agreement to arrive at the recommended 2018 fees per ton contained in this report. This rate application provides the basis for adjusting SBR's approved fees (SBR is paid monthly based on the approved fees per ton times the actual number of tons processed and transported at Shoreway).

B. Calculation of Total Collection Revenue Requirement

The approved 2018 compensation for SBR will be bundled with all other SBWMA operating budget expenses (e.g., disposal expense, franchise fees paid to the City of San Carlos, debt service, SBWMA program budget, etc.) to set the 2018 Shoreway Tip Fees. The 2018 Shoreway Tip Fees are the basis for setting the Shoreway Pass-Through expenses that become part of the Collection expense and the total Revenue Requirement for each Member Agency upon which solid waste rates for 2018 are set. (These costs are described in detail in "Other Pass-Through Costs" in the 2018 Recology Draft Rate Report and are the result of the Shoreway tipping fees charged on the solid waste and organics tons delivered to Shoreway throughout the year). The Flow Diagram of SBWMA Budget and Collection Rate Setting Process on the following page shows how the SBR-Shoreway Operations Expense (tan color) serves as the starting point for computing the Total Waste System Revenue Requirement that forms the basis for the Member Agency Rate Setting process.



C. Description of SBR Fees and Service Elements

The process for adjusting SBR's compensation are detailed in the Operations Agreement in Article 7.03 and Attachment 13-A of the Agreement,

SBR's compensation includes three core services elements that are paid on a per-ton basis:

- Transfer Station Processing
- Recyclable Materials Processing
- Transportation to Disposal and Processing Sites

The fees for the above service elements are each comprised of distinct cost components:

- A. Labor Costs
- B. Fuel and Power Costs
- C. Depreciation Cost
- D. Other Operating and Maintenance Costs

The above cost components have the following subcomponents:

- A. Labor Costs
 - Wages for CBA labor (*index*)
 - Benefits for CBA labor (*index*)
 - Workers' compensation insurance (CBA labor) (*index*)
 - Payroll taxes (CBA labor) (*non-index*)
 - Outside contracted workers from third-party sources (VRS) (*index*)
- B. Fuel and Power Costs
 - Electricity (*based on actuals/non-index*)
 - Fuel (*index*)
- C. Depreciation Cost (*no adjustment*)
- D. Other Operating and Maintenance Costs (*index*)
 - Wages and benefits for non-CBA employees
 - Wages and benefits for CBA clerical
 - Repair and maintenance expenses
 - Equipment rental expenses
 - Other vehicle-related expenses (e.g. licensing, taxes)
 - Insurance, safety and claims
 - Other general & administrative expense

D. Compensation Adjustment Process

A major goal for the Shoreway Operations Contractor selection process concluded in 2010 to make the contractor's compensation adjustment process more predictable and transparent. This cost adjustment methodology is the basis for SBR's Rate Application submittal and the SBWMA staff's subsequent review to ensure accuracy and consistency with the requirements of the Operations Agreement. The compensation adjustment process uses the approved 2017 fees paid to SBR as the basis for adjustment to the new 2018 fees. As detailed in the Agreement, the adjustment process for the 2017 Fees structure is illustrated in following chart. (Article 7.05 and Attachment 13-A of the Operations Agreement prescribes a detailed cost adjustment methodology that ties most of the cost adjustments to standard indexes (i.e., CPI).

SBWMA - CONTRACTOR COST ADJUSTMENT PROCESS		
BASE COST - 2017	ADJUSTMENT	2018 CONTRACTORS COMPENSATION
CBA: TS/MRF, Mechanics, Drivers, & Clerical (wages and benefits)	+ Index	= Base plus Adjustment
Other Cost	+ Index	= Base plus Adjustment
Power	+ Blend of actual PG&E rate & ISH Solar rate	= Base plus Adjustment
Depreciation	+ No Change	= Last Year's Depreciation
Profit	+ Based on operating ratio in Proposal	= Base plus Adjustment
Pass-Through Cost		
Interest	Interest is fixed on sliding scale based on final capital cost	Annual Interest Expense per Interest Schedule
Other	Actual cost reimbursed (i.e., Buyback payments, new regulatory fees, etc.)	Actual Cost
Total Base Compensation	+ Total of Above	= Total of Above

Commodity Revenue Sharing

A portion of SBR's compensation comes from the sale of commodities through the "Commodity Revenue Share" program where the commodity revenues from the recyclable materials processed at the Shoreway MRF are split between SBWMA and SBR: in the Commodity Revenue Share program, SBR receives a minority share of the MRF commodity revenues as an incentive to maintain high recovery and obtain the best commodity sales prices. In year 2017, the Commodity Revenue Share to SBR was 28% and while the SBWMA retained 72% of the commodity sales revenue above the Revenue Guarantee. As a result of SBR's continued good performance in maintaining low MRF residue (the MRF residue rate remained at 7%), SBR is again eligible for a 28% share of commodity sales revenue (see Article 7.07 of the Agreement - Residue-Reduction Incentive Program).

Note: the actual value of the revenue share is not shown in this report, since it is based on the actual tonnage and commodity revenue for the full-year of 2016. Hence, an estimate is used in the SBWMA Annual Budget and calendar year projections.

SECTION 2. SBR 2017 COMPENSATION APPLICATION

A. Analysis of SBR 2018 Compensation Application

SBWMA staff conducted the review of the Compensation Application submitted by SBR and worked closely with the company to ensure that questions and concerns were answered. Their application was modified as necessary to

address any changes. Staff has verified that the SBR Compensation Application is complete and meets the requirements of the Operations Agreement. As shown in **Table 1**. below, Total Compensation for SBR in 2018 is recommended to be \$18,505,703 which is \$358,984 (1.9%) higher than in 2017.

2017 Payment/Ton vs. 2018 Payment/Ton					
South Bay Recycling	2017		Adjustment	2018	
Operating Cost	Total Cost	Payment/Ton	%	Total Cost	Payment/Ton
Transfer Station	\$ 4,621,962	\$ 12.92	1.9%	\$ 4,711,763	\$ 13.17
Recyclable Materials Processing, net of Residue	\$ 6,411,997	\$ 91.41	2.9%	\$ 6,601,206	\$ 94.06
Transport (<i>cost/ton-mile</i>)	\$ 6,156,049	\$ 1.02	1.9%	\$ 6,270,908	\$ 1.04
<i>Transport (cost/ton)</i>	-	\$ 17.21	1.9%	-	\$ 17.53
Total Operating Cost	\$ 17,190,007		2.3%	\$ 17,583,876	
Contractor Pass-Through Costs					
Total Interest	\$ 131,712		-26.5%	\$ 96,827	
Construction Management	\$ -			\$ -	
Interim Operations	\$ -			\$ -	
Buyback Payments Estimate	\$ 825,000		0.0%	\$ 825,000	
Total Contractor Pass-Through Cost	\$ 956,712		-3.6%	\$ 921,827	
Total Compensation	\$ 18,146,719		1.9%	\$ 18,505,703	

Note: Buyback payments have been changed to reflect correct payment amount - 2017 total therefore will not tie to last year's Rate Report. Total Operating Cost shown in the table are estimated since costs are based on actual tons delivered to Shoreway throughout the year.

B. Description of 2018 Compensation Adjustments

Costs in the SBR Compensation Application are adjusted primarily based on changes in indexes. (The specific results of the index and non-index-based cost adjustments for 2018 are presented in **Table 2** on the following page).

Cost categories are adjusted based on the following criteria:

- *Labor Cost* (CBA for Operators, Mechanics, Drivers, and Clerical) – adjusted by CPI index (U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series # cis201s000000000i).
- *Power Cost* - adjusted based on the actual change in power rates
- *Fuel Cost* - adjusted by a fuel index. (U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series# wpu057303).
- *Other Operating Costs* - various indices such as CPI (U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series# cuur0000sa).
- *Depreciation Cost* - not adjusted
- *Interest Expense* - based on fixed schedule

Labor Cost Adjustment

CBA wage and benefits are adjusted based on changes to the CPI index. The Labor Cost component represents the largest cost component in SBR's compensation.

Pass-Through Costs

Pass-through costs are not subject to profit but are reimbursed to SBR at actual cost. The pass-through costs in the Facility Operations Agreement (Article 7.09) are as follows:

- Payments to buyback customers for purchase of recyclables are a pass-through expense. (Actual buyback payments to public customers will be reimbursed monthly in arrears).
- Changes to regulatory fees qualify as pass-through costs.
- Interest expense on allowed capital (paid to SBR monthly at one-twelfth of the annual interest expense denoted in Attachment 13A, Interest Cost Form 3-M which schedules-out interest expense for the ten-year life of the contract on a sliding scale). The annual interest expense for 2018 is \$96,827, a reduction of \$34,885 (26.6%) from 2017. The reduction in interest is based on lower asset values resulting from a depreciation schedule established at the start of SBR’s service contract.

Results of Cost Adjustments			
Cost Component	Adjustment	Basis	Description
Labor - (all CBAs)			
Wages	2.28%	Index	CBA wages compensation adjustment based on index change.
Benefits	2.28%	Index	CBA benefits compensation adjustment based on index change.
Worker's Comp Insurance	1.78%	Index	Workers compensation adjustment based on index change.
Payroll Tax	2.28%	Wages & tax rate change	The payroll tax rate changes with any changes in federal or state payroll tax rates.
VRS Labor non-CBA	1.78%	Index	Non-CBA (VRS) compensation adjustment based on index change.
Power	2.72%	PG&E & Solar Rates	Power is adjusted by the blend of actual PG&E electricity rates and the Solar Power rate.
Fuel	-0.3%	Index	Fuel expense is adjusted by the actual change in the fuel index.
Depreciation	0.0%	n/a	There is no adjustment to depreciation.
Other O&M	1.72%	Index	Other O&M expense includes non-CBA personnel, maintenance parts, insurance, general office expense, safety, etc. Other O&M expense is adjusted by 80% of an index.
<i>The cost components are adjusted from prior year . For all four CBA contracts and non-CBA costs, various indexes are used to adjust cost.</i>			

SECTION 3. SBR PER TON FEE ADJUSTMENTS FOR 2018

After review of the SBR Compensation Adjustment Application, staff recommends the following Fees (shown in Table 1, previous page) be paid to SBR on a per-ton basis for 2018:

- Transfer Station Processing Fee. The 2018 Transfer Station fee is \$13.17 per ton.

- MRF Processing Fee. The 2018 MRF Processing fee is \$94.06 per ton (note the Contractor pays for MRF residue transportation and disposal which is deducted from MRF Processing Fee resulting in an *Estimated Net MRF Processing Fee*).
- Transportation Fee. There are multiple transportation fees for each material type (i.e., solid waste, inerts, construction and demolition, and organics) and for each destination. The average 2018 Transportation Fee is \$1.04 per ton mile which is 1.9% increase over prior year (the transportation rate detail for each material type and destination are presented in the **Appendix A** – SBR Compensation Adjustment Application Worksheets).



Contractor Compensation Adjustment Application

Rate Year 2018

SOUTH BAY RECYCLING, LLC

September 7, 2017

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

A. Summary of Fees

Base	Year 7		Year 8	
	2017	2018	% Increase	
<u>Annual % Change</u>				
TS	0.66%	1.94%		
MRF	8.61%	2.95%		
Transport	-6.00%	1.87%		
<u>Cost per Ton Fees</u>				
Transfer Station	357,725	\$ 12.92	\$ 13.17	1.9%
MRF (net residue)	74,022	\$ 86.62	\$ 89.18	3.0%
Transportation (cost / ton-mile)		\$ 1.02	\$ 1.04	1.9%
Transportation (cost / ton)		\$ 17.21	\$ 17.53	1.9%
<u>Total Cost Estimate by LOB</u>				
Transfer Station		\$ 4,621,962	\$ 4,711,763	1.9%
MRF (net residue)		\$ 6,411,997	\$ 6,601,206	3.0%
Transportation		\$ 6,156,049	\$ 6,270,908	1.9%
Total Operating Cost		\$ 17,190,007	\$ 17,583,876	0.9%
<u>Pass-Through Costs</u>				
Total Interest		\$ 131,712	\$ 96,827	-26.5%
Construction Management Cost		\$ 825,000	\$ 825,000	
Buyback Payment (estimate)		\$ 825,000	\$ 825,000	
Total Pass-Through Cost		\$ 956,712	\$ 921,827	-3.6%
Total Estimated Compensation		\$ 18,146,719	\$ 18,505,703	2.0%

Detail Transportation Fees

	Year 7		Year 8	
	2017	2018	% Increase	
<u>Cost/Ton-Mile</u>				
MSW to OX Mtn.	\$ 1.213	\$ 1.236	1.9%	
Inert to OX Mtn.	\$ 1.245	\$ 1.267	1.8%	
C&D to Zanker Road	\$ 0.898	\$ 0.915	1.9%	
Plant Materials to Newby	\$ 0.725	\$ 0.739	1.9%	
Plant Materials to Grover	\$ 0.439	\$ 0.447	1.8%	
Organics to Newby	\$ 0.890	\$ 0.907	1.9%	
Organics to Grover	\$ 0.491	\$ 0.500	1.8%	
Self-haul Biomass to Biofuel	\$ 0.587	\$ 0.598	1.8%	
Plant Materials to Zanker	\$ 0.725	\$ 0.739	1.9%	

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

B. Cost Detail Transfer Station and MRF

TRANSFER STATION

Base Tonnage Specified by the SBWMA

357,725

	Year 7		Year 8	
	% Adjustment	2017 Cost / Ton	% Adjustment	2018 Cost / Ton
Direct Labor - CBA				
Wages	1.8%	\$ 5.00	2.3%	\$ 5.12
Benefits	1.8%	\$ 2.54	1.8%	\$ 2.58
W/C	1.3%	\$ 0.68	1.8%	\$ 0.69
PR Tax	1.8%	\$ 0.44	2.3%	\$ 0.45
Total CBA Labor Cost	1.7%	\$ 8.66	2.1%	\$ 8.84
Power	5.4%	\$ 0.79	2.7%	\$ 0.81
Fuel	-38.2%	\$ 0.19	-0.3%	\$ 0.19
Depreciation	0.0%	\$ 0.29	0.0%	\$ 0.29
Other O&M	0.4%	\$ 1.76	1.4%	\$ 1.79
Clerical CBA Wages & Benefits	1.8%	\$ 0.38	2.3%	\$ 0.39
Total Operating	0.7%	\$ 12.08	1.9%	\$ 12.32
Profit	0.7%	\$ 0.84	1.9%	\$ 0.85
Profit %		6.9%		6.9%
Total Operating Cost	0.7%	\$ 12.92	1.9%	\$ 13.17

MATERIALS RECOVERY FACILITY (MRF)

Base Tonnage Specified by the SBWMA

74,022

	Year 7		Year 8	
	% Adjustment	2017 Cost / Ton	% Adjustment	2018 Cost / Ton
Direct Labor - CBA				
Wages	1.8%	\$ 18.82	2.3%	\$ 19.25
Benefits	1.8%	\$ 9.97	2.3%	\$ 10.20
W/C	1.3%	\$ 2.68	1.8%	\$ 2.73
PR Tax	1.8%	\$ 1.81	2.3%	\$ 1.85
Total CBA Labor Cost	1.7%	\$ 33.29	2.2%	\$ 34.04
Non-CBA Wages	36.3%	\$ 21.54	5.7%	\$ 22.77
Power	5.4%	\$ 4.63	2.7%	\$ 4.75
Fuel	-38.2%	\$ 0.42	-0.3%	\$ 0.42
Depreciation	0.0%	\$ 1.91	0.0%	\$ 1.91
Other O&M	0.4%	\$ 16.81	1.4%	\$ 17.04
Clerical CBA Wages & Benefits	1.8%	\$ 1.85	2.3%	\$ 1.89
Total Operating	8.6%	\$ 80.44	3.0%	\$ 82.82
Profit	8.6%	\$ 6.18	3.0%	\$ 6.36
Profit %		7.7%		7.7%
Total Operating Cost	8.6%	\$ 86.62	3.0%	\$ 89.18

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

C. Cost Detail - Transportation

		Year 7		Year 8	
		%	2017	%	2018
		Adjustment	Cost / Ton Mile	Adjustment	Cost / Ton Mile
Base Tonnage					
Solid Waste Transport Fee - Ox Mtn.	260,801	-0.5%	\$ 1.213	1.9%	\$ 1.236
Inert Transport Fee - Ox Mtn.	6,317	-0.7%	\$ 1.245	1.8%	\$ 1.267
C&D Transport Fee - Zanker rd.	18,918	-1.2%	\$ 0.898	1.9%	\$ 0.915
Plant Matls Trans Fee - Newby	30,747	-1.3%	\$ 0.725	1.9%	\$ 0.739
Plant Matls Trans Fee - Grover	30,747	-2.9%	\$ 0.439	1.8%	\$ 0.447
Organic Matl Trans Fee - Newby	5,098	-1.0%	\$ 0.890	1.9%	\$ 0.907
Organic Matl Trans Fee - Grover	5,098	-2.9%	\$ 0.491	1.8%	\$ 0.500
Organic Matl Trans Fee - BioFuel		-2.0%	\$ 0.587	1.8%	\$ 0.598
Plant Matls Trans Fee - Zanker		-1.3%	\$ 0.725	1.9%	\$ 0.739
Blended Total	357,725	-0.7%	\$ 1.074	1.9%	\$ 1.094
Total Operating Cost			\$ 6,156,049		\$ 6,270,908
Cost / Ton			\$ 17.21		\$ 17.53
Total Cost Increase %			-6.0%		1.9%

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

D. Compensation Adjustment - Transfer Station

	Year 7	Year 8
	2017	2018
	Cost / Ton	Cost / Ton

357,725.0

SUMMARY OF ANNUAL FEE ADJUSTMENTS

Direct Labor - CBA

Wages

Benefits

W/C

PR Tax

Total CBA Labor Cost

Labor & Benefits (CBA Expires)

Power

Fuel

Depreciation

Other O&M

Clerical CBA Wages & Benefits

Total Operating

Profit

Profit %

Total Operating Cost

% Increase

Total Cost Estimate

\$	5.00	\$	5.12	2.28%
\$	2.54	\$	2.58	1.75%
\$	0.68	\$	0.69	1.78%
\$	0.44	\$	0.45	2.28%
\$	8.66	\$	8.84	2.09%
\$	0.79	\$	0.81	2.72%
\$	0.19	\$	0.19	-0.26%
\$	0.29	\$	0.29	0.00%
\$	1.76	\$	1.79	1.37%
\$	0.38	\$	0.39	2.28%
\$	12.08	\$	12.32	1.94%
\$	0.84	\$	0.85	1.94%
	6.9%		6.9%	0.00%
\$	12.92	\$	13.17	1.94%
	0.66%		1.94%	
\$	4,621,962	\$	4,711,763	1.94%

PERCENTAGE CHANGE IN COSTS

Labor Cost Component Adjustment Factors

Wages for Direct Labor

Updated direct labor cost per ton

Adjustment Factor for Wages Direct Labor

% Increase

\$	5.00	\$	5.12
	1.018		1.023
	1.75%		2.28%

Benefits for Direct Labor

Updated annual benefit cost per ton

Adjustment Factor for Benefits

% Increase

One Time True Up (Rate Year 2015)

\$	2.54	\$	2.58
	1.018		1.018
	1.75%		1.75%

Workers Compensation Insurance for Direct Labor

Updated annual benefit cost per ton

Adjustment Factor

\$	0.68	\$	0.69
	1.013		1.018

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

D. Compensation Adjustment - Transfer Station

	Year 7	Year 8
357,725.0	2017	2018
	Cost / Ton	Cost / Ton
Payroll Taxes for Direct Labor		
Updated Paryoll Tax cost per Ton	\$ 0.44	\$ 0.45
Adjustment Factor for payroll taxes shall equal the change in Federal Social Security & Medicare Tax Cost	8.70%	8.70%
Adjustment Factor	1.000	1.000
Fuel and Power Cost Component Adjustment Factors		
Power Adjustment		
Updated Power cost per ton	\$ 0.79	\$ 0.81
Adjustment Factor	1.054	1.027
Fuel Adjustment		
Updated Fuel cost per ton	\$ 0.19	\$ 0.19
Adjustment Factor	0.618	0.997
Depreciation		
Updated Depreciation cost per ton	\$ 0.29	\$ 0.29
Adjustment Factor (No adjustment after Year 1)	1.000	1.000
Other Operating & Maintenance		
Updated Other cost per ton	\$ 1.76	\$ 1.79
Adjustment Factor @ 80% of Index	1.004	1.014

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

E. Compensation Adjustment - Materials Recovery Facility (MRF)

	Year 7	Year 8	
	2017	2018	
	Cost / Ton	Cost / Ton	
74,022			
SUMMARY OF ANNUAL FEE ADJUSTMENTS			
Direct Labor - CBA			
Wages	\$ 18.82	\$ 19.25	2.28%
Benefits	\$ 9.97	\$ 10.20	2.28%
Workers Comp	\$ 2.68	\$ 2.73	1.78%
PR Tax	\$ 1.81	\$ 1.85	2.28%
Total CBA Labor Cost	\$ 33.29	\$ 34.04	2.24%
 Third Party Wages & Benefits (VRS)	 \$ 21.54	 \$ 22.77	 5.71%
Power	\$ 4.63	\$ 4.75	2.72%
Fuel	\$ 0.42	\$ 0.42	-0.26%
Depreciation	\$ 1.91	\$ 1.91	0.00%
Other O&M	\$ 16.81	\$ 17.04	1.37%
Clerical CBA Wages & Benefits	\$ 1.85	\$ 1.89	2.28%
Total Operating	\$ 80.44	\$ 82.82	2.95%
 Profit	 \$ 6.18	 \$ 6.36	 2.95%
Profit %	7.7%	7.7%	0.00%
Total Operating Cost Per Ton (excluding residue)	\$ 86.62	\$ 89.18	2.95%
<i>% Increase</i>	<i>8.61%</i>	<i>2.95%</i>	
Total Estimated Operator Cost (excluding residue)	\$ 6,411,997	\$ 6,601,206	2.95%
 <u>MRF Residue Paid by SBR</u>			
MRF Residue Tons	6,800	6,800	
Disposal Tip Fee @ Ox Mtn.	\$ 41.02	\$ 41.84	2.00%
Disposal Fees	\$ 3.77	\$ 3.84	2.00%
Transfer & Haul	\$ 1.02	\$ 1.04	1.87%
Total MRF Residue expense	\$ 4.79	\$ 4.88	1.97%
Total Cost with MRF Residue	\$ 91.41	\$ 94.06	2.90%

PERCENTAGE CHANGE IN COSTS

Labor Cost Component Adjustment Factors

Updated annual labor for direct labor

Adjustment Factor

% Increase

\$ 18.82	\$ 19.25
1.018	1.023
1.75%	2.28%

Benefits for Direct Labor

Updated annual benefit cost per ton

Adjustment Factor

% Increase

One Time True Up (Rate Year 2015)

\$ 9.97	\$ 10.20
1.018	1.023
1.75%	2.28%

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

E. Compensation Adjustment - Materials Recovery Facility (MRF)

	Year 7	Year 8
74,022	2017 Cost / Ton	2018 Cost / Ton
Workers Compensation Insurance for Direct Labor		
Updated annual benefit Costs	\$ 2.68	\$ 2.73
Adjustment Factor	1.013	1.018
Payroll Taxes for Direct Labor		
Updated Payroll Tax cost per ton	\$ 1.81	\$ 1.85
Total Payroll Tax Rate %	9.6%	9.6%
Federal Social Security & Medicare tax rates	9.61%	9.61%
Adjustment Factor	1.000	1.000
Labor & Benefits Component Adjustment Factor - non-CBA labor (VRS)		
Updated annual costs	\$ 21.54	\$ 22.77
Adjustment	\$ 4.73	
Adjustment Factor	1.013	
Fuel and Power Cost Component Adjustment Factors		
Power Adjustment		
Updated Power cost per ton	\$ 4.63	\$ 4.75
Adjustment Factor	1.054	1.027
<i>blend of PGE rate and solar rate</i>		
Fuel Adjustment		
Updated Fuel Costs	\$ 0.42	\$ 0.42
Adjustment Factor	0.618	0.997
Depreciation		
Updated Depr cost per ton	\$ 1.91	\$ 1.91
Adjustment Factor (No adjustment after Year 1)	1.000	1.000
Other Operating & Maintenance		
Updated Other cost per ton	\$ 16.81	\$ 17.04
Adjustment Factor @ 80% of Index	1.004	1.014
<i>% Change in underlying index</i>	0.51%	1.72%
MRF Load Contamination	\$ 32.58	\$ 33.55
Plant Materials & Organics Contamination	\$ 9.12	\$ 9.39

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

F. Compensation Adjustment - Transportation

	Year 7		Year 8	
	2017		2018	
	Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile
Solid Waste Transport Fee - Ox Mtn.	-0.5%	\$ 1.21	1.87%	\$ 1.24
Inert Transport Fee - Ox Mtn.	-0.7%	\$ 1.24	1.83%	\$ 1.27
C&D Transport Fee - Zanker	-1.2%	\$ 0.90	1.88%	\$ 0.92
Plant Matls Trans Fee - Newby	-1.3%	\$ 0.73	1.85%	\$ 0.74
Plant Matls Trans Fee - Grover	-2.9%	\$ 0.44	1.79%	\$ 0.45
Organic Matl Trans Fee - Newby	-1.0%	\$ 0.89	1.90%	\$ 0.91
Organic Matl Trans Fee - Grover	-2.9%	\$ 0.49	1.79%	\$ 0.50
Biomass Trans Fee - Biofuel		\$ 0.59		\$ 0.60
Plant Matls Trans Fee - Zanker		\$ 0.73		\$ 0.74
Blended Total	-6.0%	\$ 1.02	1.87%	\$ 1.04
Total Cost Estimate		\$ 6,156,049		\$ 6,270,908
Cost / Ton		\$ 17.21		\$ 17.53
Total Cost Increase %		-6.0%		1.9%

Direct Labor Component for All Transport Fees

Wages for CBA Labor	1.0175	\$ 1,667,406	1.023	\$ 1,705,491
Benefits for CBA Labor	1.0175	\$ 711,883	1.023	\$ 728,144
WC Insurance	1.0132	\$ 178,049	1.018	\$ 181,216
Payroll Taxes	1.0000	\$ 141,067	1.000	\$ 144,289
Total Cost Estimate (SW to Ox)	1.0172	\$ 2,698,405	1.0225	\$ 2,759,140
Cost/Ton		\$ 10.35		\$ 10.58
Adjusted Labor for MSW Transport Fee (cost/ton-mile)	1.0172	\$ 0.796	1.023	\$ 0.814

Solid Waste Transport Fee (OX)

Labor component	1.0172	\$ 0.7958	1.023	\$ 0.8137
Fuel	0.6176	\$ 0.0327	0.997	\$ 0.0326
Depreciation	1.0000	\$ 0.0851	1.000	\$ 0.0851
Other O&M Component	1.0041	\$ 0.1777	1.014	\$ 0.1801
Clerical CBA wages & benefits	1.0175	\$ 0.0261	1.023	\$ 0.0267
Total Operating Cost		\$ 1.1175		\$ 1.1384
Profit per Operating Ratio		\$ 0.0959		\$ 0.0976
Total SW Transportation Fee	-0.5%	\$ 1.21336	1.9%	\$ 1.23601

Inert Transport Fee - OX Mtn.

Labor component	1.0172	\$ 0.759	1.023	\$ 0.776
Fuel	0.6176	\$ 0.036	0.997	\$ 0.036
Depreciation	1.0000	\$ 0.085	1.000	\$ 0.085
Other O&M Component	1.0041	\$ 0.223	1.014	\$ 0.226
Clerical CBA wages & benefits	1.0175	\$ 0.033	1.023	\$ 0.034
Total Operating Cost		\$ 1.136		\$ 1.157
Profit per Operating Ratio		\$ 0.108		\$ 0.110
Total Inert Transportation Fee	-0.7%	\$ 1.245	1.8%	\$ 1.267

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2018
F. Compensation Adjustment - Transportation

Year 7		Year 8	
2017		2018	
Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile
1.0172	\$ 0.5970	1.023	\$ 0.6105
0.6176	\$ 0.0332	0.997	\$ 0.0331
1.0000	\$ 0.0530	1.000	\$ 0.0530
1.0041	\$ 0.1217	1.014	\$ 0.1234
1.0175	\$ 0.0179	1.023	\$ 0.0183
	\$ 0.8229		\$ 0.8383
	\$ 0.0755		\$ 0.0769
-1.2%	\$ 0.89832	1.9%	\$ 0.91517

C&D Transport Fee - Zanker Road

Labor component
 Fuel
 Depreciation
 Other O&M Component
 Clerical CBA wages & benefits
Total Operating Cost
 Profit per Operating Ratio
Total C&D Transportation Fee

1.0172	\$ 0.5970	1.023	\$ 0.6105
0.6176	\$ 0.0332	0.997	\$ 0.0331
1.0000	\$ 0.0530	1.000	\$ 0.0530
1.0041	\$ 0.1217	1.014	\$ 0.1234
1.0175	\$ 0.0179	1.023	\$ 0.0183
	\$ 0.8229		\$ 0.8383
	\$ 0.0755		\$ 0.0769
-1.2%	\$ 0.89832	1.9%	\$ 0.91517

Plant Materials Transport Fee - Newby Is

Labor component
 Fuel
 Depreciation
 Other O&M Component
 Clerical CBA wages & benefits
Total Operating Cost
 Profit per Operating Ratio
Total Plant Material Transportation Fee

1.0172	\$ 0.4695	1.023	\$ 0.4801
0.6176	\$ 0.0277	0.997	\$ 0.0277
1.0000	\$ 0.0442	1.000	\$ 0.0442
1.0041	\$ 0.1085	1.014	\$ 0.1100
1.0175	\$ 0.0160	1.023	\$ 0.0163
	\$ 0.6659		\$ 0.6783
	\$ 0.0595		\$ 0.0606
-1.3%	\$ 0.72540	1.9%	\$ 0.73885

Plant Materials Transport Fee - Grover

Labor component
 Fuel
 Depreciation
 Other O&M Component
 Clerical CBA wages & benefits
Total Operating Cost
 Profit per Operating Ratio
Total Plant Material Transportation Fee

1.0172	\$ 0.2788	1.023	\$ 0.2851
0.6176	\$ 0.0277	0.997	\$ 0.0276
1.0000	\$ 0.0286	1.000	\$ 0.0286
1.0041	\$ 0.0595	1.014	\$ 0.0603
1.0175	\$ 0.0088	1.023	\$ 0.0090
	\$ 0.4033		\$ 0.4106
	\$ 0.0360		\$ 0.0367
-2.9%	\$ 0.43936	1.8%	\$ 0.44722

Organic Material Transport Fee - Newby Is

Labor component
 Fuel
 Depreciation
 Other O&M Component
 Clerical CBA wages & benefits
Total Operating Cost
 Profit per Operating Ratio
Total Organic Material Transportation Fee

1.0172	\$ 0.5869	1.023	\$ 0.6001
0.6176	\$ 0.0304	0.997	\$ 0.0303
1.0000	\$ 0.0442	1.000	\$ 0.0442
1.0041	\$ 0.1175	1.014	\$ 0.1191
1.0175	\$ 0.0173	1.023	\$ 0.0177
	\$ 0.7963		\$ 0.8115
	\$ 0.0934		\$ 0.0952
-1.0%	\$ 0.88974	1.9%	\$ 0.90666

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2018
F. Compensation Adjustment - Transportation

	Year 7		Year 8	
	2017		2018	
	Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile
Organic Material Transport Fee - Grover				
Labor component	1.0172	\$ 0.3038	1.023	\$ 0.3107
Fuel	0.6176	\$ 0.0302	0.997	\$ 0.0301
Depreciation	1.0000	\$ 0.0313	1.000	\$ 0.0313
Other O&M Component	1.0041	\$ 0.0648	1.014	\$ 0.0657
Clerical CBA wages & benefits	1.0175	\$ 0.0096	1.023	\$ 0.0098
Total Operating Cost		\$ 0.4396		\$ 0.4475
Profit per Operating Ratio		\$ 0.0516		\$ 0.0525
Total Organic Material Transportation Fee	-2.9%	\$ 0.49116	1.8%	\$ 0.49995

Self-Haul Biomass - Biofuel				
Labor component				
Fuel				
Depreciation				
Other O&M Component				
Clerical CBA wages & benefits				
Total Operating Cost		\$ 0.525		\$ 0.535
Profit per Operating Ratio		\$ 0.062		\$ 0.063
Total Biofuel Material Transportation Fee	-2.0%	\$ 0.587	1.8%	\$ 0.598

Plant Materials Transport Fee - Zanker Road				
Labor component	1.0172	\$ 0.4695	1.023	\$ 0.4801
Fuel	0.6176	\$ 0.0277	0.997	\$ 0.0277
Depreciation	1.0000	\$ 0.0440	1.000	\$ 0.0440
Other O&M Component	1.0041	\$ 0.1085	1.014	\$ 0.1100
Clerical CBA wages & benefits	1.0175	\$ 0.0160	1.023	\$ 0.0163
Total Operating Cost		\$ 0.6657		\$ 0.6780
Profit per Operating Ratio		\$ 0.0595		\$ 0.0606
Total Plant Material Transportation Fee	-1.3%	\$ 0.72516	1.9%	\$ 0.73861

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

G. Indexes

Year 7 2017	Year 8 2018
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Workers Compensation

Use- Factor	1.013	1.018
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Direct Labor

Use- Factor	1.018	1.023
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Fuel

Use- Factor	0.618	0.997
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Other O&M

Use- Factor	1.005	1.017
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Depreciation

Use- Factor	1.000	1.000
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SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

H. Department of Labor Index Detail

Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. (CIU2030000000000i)).

Workers Compensation

	2015	2016	2017
Average Index	123.45	125.08	127.30
% Change	2.45%	1.32%	1.78%
Q1	124.50	126.00	128.40
Q2	124.40	126.50	
Q3	124.80	127.00	
Q4	125.10	127.30	

Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. (cis201s000000000i)).

Direct Labor

	2015	2016	2017
Index 1ST QTR	122.63	124.78	127.63
% Change	2.38%	1.75%	2.284%
Q1	123.80	125.90	128.80
Q2	123.70	126.60	
Q3	124.50	127.30	
Q4	125.00	127.80	

Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. (wpu057303)).

Fuel

	2015	2016	2017
Avg Index Apr	256.49	158.41	158.00
% Change	-18.5%	-38.2%	-0.26%
Jan	182.60	119.50	160.70
Feb	189.90	114.00	163.30
Mar	194.20	118.60	161.60
Apr	183.30	123.20	164.60
May	202.60	144.40	
Jun	198.70	155.40	
Jul	194.00	157.60	
Aug	189.20	149.80	
Sep	169.40	163.10	
Oct	173.50	159.70	
Nov	167.40	157.00	
Dec	130.80	158.80	

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2018

H. Department of Labor Index Detail

Index: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. (cuur0000sa0).

Other O&M

	2015	2016	2017
Avg Index April	236.66	237.87	241.95
% Change	1.1%	0.5%	1.72%
Jan	233.71	236.92	242.84
Feb	234.72	237.11	243.60
Mar	236.12	238.13	243.80
Apr	236.60	239.26	244.52
May	237.81	240.23	
Jun	238.64	241.02	
Jul	238.65	240.63	
Aug	238.32	240.85	
Sep	237.95	241.43	
Oct	237.84	241.73	
Nov	237.34	241.35	
Dec	236.53	241.43	

Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index Industry Data for motor vehicle body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately (not seasonally adjusted, base date: 8212, series no. (pcu336211336211).

Depreciation

	2015	2016	2017
Avg Index April	232.57	236.00	238.66
% Change	1.7%	1.5%	1.1%
Jan	233.20	235.70	238.90
Feb	234.30	236.50	240.50
Mar	235.40	236.70	241.20
Apr	235.30	237.10	241.00
May	235.70	237.10	
Jun	235.70	237.30	
Jul	235.80	237.70	
Aug	235.80	237.90	
Sep	235.80	237.90	
Oct	235.80	237.90	
Nov	235.90	238.20	
Dec	235.50	238.30	

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for R
I. Electric Power and Solar Cost

PG&E

	Apr-16	Apr-17
Year		
Total Bill	\$ 22,056	\$ 22,602
KWH	102,600	102,600
Rate / KWH	\$ 0.215	\$ 0.220
% increase from Prior Yr.	8.34%	2.47%
Adjustment Factor	1.215	1.220

ISH (Solar)

	Apr-16	Apr-17
Year		
Total Bill	\$ 19,450	\$ 27,028
KWH	90,951	122,708
Rate / KWH	\$ 0.214	\$ 0.220
% increase vs. Prior Yr.	3.0%	3.0%
Adjustment Factor	1.03	1.03

Blended

	Apr-16	Apr-17
Year		
Total Bill	\$ 41,506	\$ 49,629
KWH	193,551	225,308
Rate / KWH	\$ 0.214	\$ 0.220
% increase vs. Prior Yr.	5.4%	2.7%
Adjustment Factor	1.054	1.027

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2018
J. Debt Service Schedule

Year one interest rate adjustment per Operations Agreement Article 8.03

Assumed interest rate per SBR 2009 proposal:
 Ten-year U.S. Treasury note interest rate in March, 2008:
 Ten-year U.S. Treasury note interest rate in effect on July 1, 2010:
 Adjustment factor:
 Fixed interest rate for entire period of Ops Agreement:

5.00%
3.50%
3.50%
100.00%
5.00%

Year	Financed Purchase - BASE 2009 COST			Adj. Factor	Adjusted for Capital indexed price change Financed Purchase - Year One to Year Ten		
	Principal Payment	Interest	Total		Depreciation	Interest	Total
Interest Rate %		5.00%				5.00%	
1	\$ 505,441.00	\$ 308,120.00	\$ 813,561.00	1.0000	\$ 505,441.00	\$ 308,120.00	\$ 813,561.00
2	\$ 531,300.00	\$ 282,260.00	\$ 813,560.00	1.0000	\$ 531,300.00	\$ 282,260.00	\$ 813,560.00
3	\$ 558,483.00	\$ 255,077.00	\$ 813,560.00	1.0000	\$ 558,483.00	\$ 255,077.00	\$ 813,560.00
4	\$ 587,055.00	\$ 226,505.00	\$ 813,560.00	1.0000	\$ 587,055.00	\$ 226,505.00	\$ 813,560.00
5	\$ 617,091.00	\$ 196,470.00	\$ 813,561.00	1.0000	\$ 617,091.00	\$ 196,470.00	\$ 813,561.00
6	\$ 648,662.00	\$ 164,898.00	\$ 813,560.00	1.0000	\$ 648,662.00	\$ 164,898.00	\$ 813,560.00
7	\$ 681,849.00	\$ 131,712.00	\$ 813,561.00	1.0000	\$ 681,849.00	\$ 131,712.00	\$ 813,561.00
8	\$ 716,734.00	\$ 96,827.00	\$ 813,561.00	1.0000	\$ 716,734.00	\$ 96,827.00	\$ 813,561.00
9	\$ 753,403.00	\$ 60,158.00	\$ 813,561.00	1.0000	\$ 753,403.00	\$ 60,158.00	\$ 813,561.00
10	\$ 791,948.00	\$ 21,612.00	\$ 813,560.00	1.0000	\$ 791,948.00	\$ 21,612.00	\$ 813,560.00
TOTAL COST	\$ 6,391,966.00	\$ 1,743,639.00	\$ 8,135,605.00		\$ 6,391,966.00	\$ 1,743,639.00	\$ 8,135,605.00

# Years	10	10
Average Interest / Year	\$174,364	\$174,364

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2018
K. CBA Wages & Benefits

BASE						Actual 2017 Rates		Actual 2018 Rates	
TRANSFER STATION									
Direct Labor	FTE	Reg Hrs	OT Hrs	Hourly Rate	Annual Cost				
Leads	1.0	2,080	390	\$33.34	\$88,851.10	\$ 43.47	\$ 115,839	\$ 44.46	\$ 118,485
Scale Operator	3.0	6,240	1,170	\$31.75	\$253,841.25	\$ 41.40	\$ 330,970	\$ 42.34	\$ 338,529
Spotter	2.0	4,160	780	\$22.10	\$117,793.00	\$ -	\$ -	\$ -	\$ -
Spotter ²	5.0	10,400	780			\$ 28.82	\$ 333,433	\$ 29.48	\$ 341,049
Sorter	9.0	18,720	3,120	\$17.10	\$400,140.00	\$ -	\$ -	\$ -	\$ -
Sorter ²	6.0	12,480	3,120			\$ 22.93	\$ 393,438	\$ 23.45	\$ 402,424
Equipment Operator-Lead	2.0	4,160	624		\$0.00	\$ 45.40	\$ 231,352	\$ 46.44	\$ 236,637
Equipment Operator ¹	5.0	10,400	1,560	\$33.16	\$422,458.40	\$ -	\$ -	\$ -	\$ -
Equipment Operator	3.0	6,240	936	\$33.16	\$253,475.04	\$ 43.23	\$ 330,476	\$ 44.22	\$ 338,025
Personal Day Adjustment							\$ 13,396		\$ 13,702
						True Up	\$ -	True Up	\$ -
						Total	\$ 1,748,904	Total	\$ 1,788,851
							\$ -		\$ -
Total	20.0	74,880	12,480		\$ 1,283,084		1.75%		2.28%

MRF									
Direct Labor	FTE	Reg Hrs	OT Hrs	Hourly Rate	Annual Cost				
Scale Operator - Lead	2	4160	0	33.34	138694.4				
Equipment Operator-Lead	2.0	4,160	0		\$0.00	\$ 43.47	\$ 180,822	\$ 44.46	\$ 184,953
Equipment Operator	7.0	14,560	1,456	\$31.75	\$531,622.00	\$ 41.40	\$ 693,152	\$ 42.34	\$ 708,985
MRF Mechanic	1.0	2,080	0	\$33.36	\$69,388.80	\$ 43.50	\$ 90,477	\$ 44.49	\$ 92,544
PM Technician	1.0	2,080	0	\$28.80	\$59,904.00	\$ 37.31	\$ 77,606	\$ 38.16	\$ 79,378
Inspector	2.0	4,160	0	\$22.10	\$91,936.00	\$ -	\$ -	\$ -	\$ -
Utility ²	1.0	2,080	0			\$ 28.82	\$ 59,943	\$ 29.48	\$ 61,312
Spotter ²	1.0	2,080	0			\$ 28.82	\$ 59,943	\$ 29.48	\$ 61,312
Buyback Attendant	2.2	4,576	1,664	\$22.20	\$156,998.40	\$ 28.95	\$ 204,707	\$ 29.61	\$ 209,383
Personal Day Adjustment							\$ 11,577		\$ 11,841
						True Up	\$ -	True Up	\$ -
						Total	\$ 1,378,228	Total	\$ 1,409,708
							\$ -		\$ -
Total	15.2	35,776	3,120		\$ 1,048,544		1.75%		2.28%

TRANSPORT									
Direct Labor		Reg Hrs	OT Hrs	Hourly Rate	Annual Cost				
Semi-Driver	20.0	41,600	6,344	\$ 34.21	1,748,678	\$ 43.23	\$ 2,209,970	\$ 44.22	\$ 2,260,449
Mechanic	1.6	3,250	-	\$ 33.36	108,407	\$ 41.89	\$ 136,135	\$ 42.85	\$ 139,244
PM Technician	-	-	-	\$ 28.80	-	\$ 36.95	\$ -	\$ 37.79	\$ -
Personal Day Adjustment							\$ 18,603		\$ 19,028
							\$ 2,364,708		\$ 2,418,721
Total		44,850	6,344		1,857,085				

BENEFITS		/ month		/ hour		/ month		/ hour	
Plant & Transportation Operations	Medical	\$1,361.00		\$7.85		\$ 2,073.04	\$ 11.96	\$ 2,120.39	\$ 12.23
	RSP	\$268.62		\$1.55		\$ 537.92	\$ 3.10	\$ 550.21	\$ 3.17
	IP	\$4.90		\$0.03		\$ 5.20	\$ 0.03	\$ 5.32	\$ 0.03
	Peer-84	\$667.33		\$3.85		\$ 1,085.52	\$ 6.26	\$ 1,110.32	\$ 6.41
	Total TS & Recycling			\$ 13.28			\$ 21.36		\$ 21.84
							\$ -		\$ -
							1.75%		2.28%

One-Time True-Up

% Mix (based on hours)	Teamsters	Mechanics
TS	100.0%	0.0%
MRF	94.5%	5.5%
Transportation	91.3%	8.7%

Total Teamster	\$ 13.28	\$ 21.36	\$ 21.84
USE FOR TRANSFER STATION		1.75%	2.3%
One Time True-Up 2015			

Total Teamster	\$ 13.09	\$ 21.36	\$ 21.84
USE FOR MRF		1.75%	2.3%
One Time True-Up 2015		0.0%	0.0%

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2018
L. Clerical CBA Wages & Benefits

BASE					Actual 2017 Rates		Actual 2018 Rates	
CLERICAL								
G&A Labor (2009)	Reg Hrs	OT Hrs	Hourly Rate	Annual Cost				
Accounting Clerk	2,080.00	390.00	\$15.00	\$39,975.00				
Admin Assistant	2,080.00	390.00	\$16.88	\$44,985.20				
Dispatcher	2,080.00	390.00	\$13.13	\$34,991.45				
	6,240.00	1,170.00						
G&A Labor (2011)								
Payroll Processor	2,080.00	125.00			\$ 33.68	\$ 76,364	\$ 34.45	\$ 78,109
A/P Coordinator	2,080.00	125.00			\$ 27.26	\$ 61,821	\$ 27.89	\$ 63,233
Admin Assistant	2,080.00	125.00			\$ 26.75	\$ 60,648	\$ 27.36	\$ 62,033
Dispatcher	2,080.00	125.00			\$ 28.05	\$ 63,607	\$ 28.69	\$ 65,060
Total Hours	8,320.00	500.00						
						\$ -		\$ -
					Total	\$ 262,441	Total	\$ 268,435
2009 Base Totals	6,240.00	1,170.00		\$119,951.65		1.8%		2.3%

2009 BASE							
Transfer	33.33%	\$ 39,984	33.33%	\$ 87,480	33.33%	\$ 89,478	
MRF	33.33%	\$ 39,984	33.33%	\$ 87,480	33.33%	\$ 89,478	
Transportation	33.33%	\$ 39,984	33.33%	\$ 87,480	33.33%	\$ 89,478	

BENEFITS		/ month		/ hour		CPI Adjust		/ hour		CPI Adjust		/ hour	
Clerical Unit	Medical	\$ 1,139.00	\$ 6.57	\$ 2,022.15	\$ 11.67	\$ 2,068.34	\$ 11.93						
	Peer-84	\$ -	\$ -	\$ 562.61	\$ 3.25	\$ 575.46	\$ 3.32						
	RSP	\$ -	\$ -	\$ 501.58	\$ 2.89	\$ 513.04	\$ 2.96						
	IP	\$ -	\$ -	\$ 5.30	\$ 0.03	\$ 5.42	\$ 0.03						
				True Up	\$ -	True Up	\$ -						
	Total	\$ 6.57		Total	\$ 17.84	Total	\$ 18.24						
					\$ -		\$ -						
							1.8%						2.3%

Total H&W, Pension / Hr	\$ 2.19	\$ 5.95	\$ 6.08
USE FOR TRANSFER STATION		1.75%	2.28%

Total H&W, Pension / Hr	\$ 2.19	\$ 5.95	\$ 6.08
USE FOR MRF		1.75%	2.28%

Total H&W, Pension / Hr	\$ 2.19	\$ 5.95	\$ 6.08
USE FOR TRANSPORTATION		1.75%	2.28%

Total Wages + Benefits for G&A Group			
Transfer Station	\$ 53,651.88	\$ 136,946.57	\$ 140,074.58
MRF	\$ 53,651.88	\$ 136,946.57	\$ 140,074.58
Transportation	\$ 53,651.88	\$ 136,946.57	\$ 140,074.58
%		1.75%	2.28%



LONG RANGE PLAN UPDATE

Agenda Item 6A

Presentation by Kevin Russell on Public Space Project

Presentation at the September 9, 2017 TAC Meeting

Discussion Item Only