

2020 Recology San Mateo County Compensation Adjustment Application

Board/TAC Study Session
September 12, 2019



A Public Agency

Recology Compensation Adjustment Application

Table 1

Total Contractor's Compensation	Recology Compensation			
	2019 Cost	2020 Cost	Change	%
Base Compensation	\$57,890,585	\$59,494,688	\$1,604,103	2.8%
Incentives / Disincentives	\$78,590	\$26,535	\$ (52,055)	-66.2%
Total Contractor's Compensation	\$57,969,175	\$59,521,223	\$1,552,048	2.7%

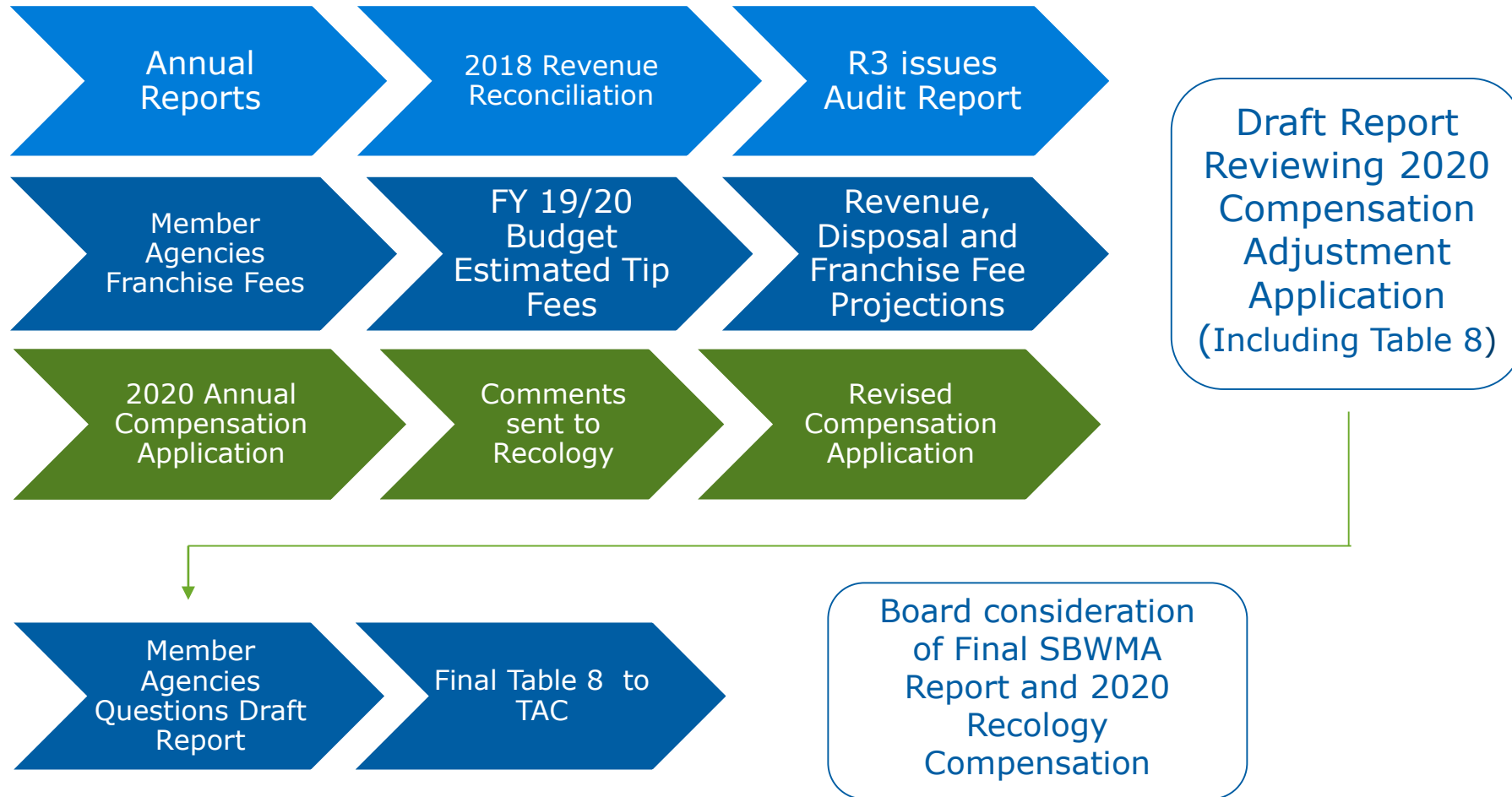
Contractor's compensation increase is primarily due to:

- **Cost of Ops** (Index based) = +3.7% vs. LY
- **Interest Expense:** Scheduled reduction = -63% vs. LY
- **Recology's Performance Incentive/Disincentives** = -66% vs. LY
- **Member Specific** decreased depreciation of \$107,290

Timeline in Completing SBWMA Final Report

Date	Action
15-Feb	Annual Reports issued by Recology and SBR
31-Mar	2018 Revenue Reconciliation issued by Recology
6-Jun	Letters to all Member Agencies requesting 2020 estimated franchise fees
14-Jun	2020 Annual Compensation Application submitted by Recology
19-Jun	Third Party Audit Report of Recology and SBR Annual Reports issued
27-Jun	Board Approved FY19/20 Budget including estimated tip fees
28-Jun	Comments sent to Recology from Member Agencies and SBWMA
5-Jul	2020 Annual Compensation Application submitted by SBR
19-Jul	Revised 2020 Annual Compensation Application submitted by Recology
22-Jul	Revenue, Disposal and Franchise Fee Projections issued by SBWMA
9-Aug	Draft Report reviewing Recology's 2020 Compensation Adjustment Application submitted by SBWMA
16-Aug	Draft Report reviewing SBR's 2020 Compensation Adjustment Application submitted by SBWMA
26-Aug	Member Agencies Written Comments on SBWMA Draft Reports (Recology and SBR)
12-Sep	SBWMA TAC Meeting: Staff Update and Discussion
19-Sep	SBWMA Final Report (SBR and Recology Comp and Recommended Collection Rate Adj.)
26-Sep	SBWMA Board Meeting: Final Report (SBR and Recology Comp and Recommended Collection Rate Adj.)

Process Followed in Completing SBWMA Final Report



Recology Compensation Adjustment Application

Table 8

SBWMA									
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY									
<i>as of 08/09/2019</i>									
2020 Rate Year									
	Total	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	
C. 2020 REQUIRED REVENUE ADJUSTMENT									
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$112,121,791	\$3,011,079	\$8,528,185	\$12,091,298	\$5,218,251	\$6,063,857	\$2,989,825	\$12,936,071
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	\$782,069	\$148,417	(\$1,412,636)	(\$425,766)	\$84,708	\$151,039	\$151,932	\$66,034
C.3	Rate Adjustment Percentage (C.2 / A.1)	-0.7%	-4.7%		3.6%	-1.6%	-2.4%	-4.8%	-0.5%
D. 2019 Estimated Surplus/(Shortfall)									
D.1	Surplus/(Shortfall), 2019 estimated	\$1,623,830	\$53,032	(\$254,649)	(\$329,508)	\$111,455	\$16,244	(\$190,252)	\$166,832
D.2	Surplus/(Shortfall) 2017 FINAL (incl. Interest)	(\$1,282,712)		(\$1,654,671)		(\$101,548)	\$41,260	\$480,114	(\$97,201)
D.3	Net Estimated 2019 Surplus/Shortfall	\$341,118	\$53,032	(\$1,909,320)	(\$329,508)	\$9,907	\$57,504	\$289,862	\$69,631
D.4	Agency Fees on D.3 Estimated Shortfall	(\$59,978)			(\$46,131)				
D.5	Rate Adjustment Percentage (Associated with 2019 Estimated Surplus/Shortfall)	-0.2%	-1.7%	26.8%	3.2%	-0.2%	-0.9%	-9.2%	-0.5%
E. Adjustments									
E.1	Miscellaneous Adjustment/Payment	\$3,321,956		\$3,321,956					
F. TOTAL RATE IMPACT									
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$108,518,694	\$2,958,047	\$7,115,550	\$12,466,937	\$5,208,343	\$6,006,353	\$2,699,963	\$12,866,439
F.2	Total Surplus/(Shortfall) (A.1 - F.1)	\$4,385,166	\$201,448		(\$801,405)	\$94,615	\$208,543	\$441,794	\$135,665
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-3.9%	-6.4%		6.9%	-1.8%	-3.4%	-14.1%	-1.0%

Recology Compensation Adjustment Application

Table 8

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 08/09/2019			2020 Rate Year				
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total	
C. 2020 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$2,734,908	\$20,382,517	\$8,632,272	\$24,411,208	\$1,584,179	\$3,538,142
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	\$400,467	\$24,984	\$465,702	\$1,025,398	\$142,211	(\$40,419)
C.3	Rate Adjustment Percentage (C.2 / A.1)	-12.8%	-0.1%	-5.1%	-4.0%	-8.2%	1.2%
D. 2019 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2019 estimated	\$176,019	\$119,792	\$64,747	\$1,548,027	\$70,285	\$71,807
D.2	Surplus/(Shortfall) 2017 FINAL (incl. Interest)	(\$9,174)	(\$221,233)	\$11,948	(\$123,050)	\$54,284	\$336,559
D.3	Net Estimated 2019 Surplus/Shortfall	\$166,845	(\$101,441)	\$76,695	\$1,424,977	\$124,569	\$408,366
D.4	Agency Fees on D.3 Estimated Shortfall		(\$13,847)				
D.5	Rate Adjustment Percentage (Associated with 2019 Estimated Surplus/Shortfall)	-5.3%	0.6%	-0.8%	-5.6%	-7.2%	-11.7%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$2,568,063	\$20,497,805	\$8,555,577	\$22,986,231	\$1,459,610	\$3,129,777
F.2	Total Surplus/(Shortfall) (A1 - F1)	\$567,312	(\$90,304)	\$542,398	\$2,450,375	\$266,780	\$367,947
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-18.1%	0.4%	-6.0%	-9.6%	-15.5%	-10.5%



2021 Recology Compensation Projections

2021 Service Level Adjustment Calculation

Average 2014, 2015, 2016	vs.	Average 2018, 2019, 2020
MSW Accounts Single Family		MSW Accounts Single Family
Lifts Commercial/MFD		Lifts Commercial/MFD
Pulls Drop Box		Pulls Drop Box
Percent Increase		
Percent Increase x 75%		
Applied to Direct Costs		

- **2021 Indirect Cost** – No Service Level Adjustment
- **Depreciation** - Fixed at the 2021 negotiated amount
- **Fuel Increase** - based on CPI – 2015/2016 vs. 2019/2020

Estimated 2021 Contractor's Service Level Adjustment

(from the 2021 Negotiated Base Compensation)

Member Agency	2021 Base Compensation (Negotiated)	Estimated 2021 Service Level Adjustment	% Increase
Atherton	\$1,593,158	\$1,699	0.1%
Belmont	\$4,105,137	\$86,906	2.1%
Burlingame	\$6,286,129	\$87,479	1.4%
East Palo Alto	\$2,726,530	\$27,727	1.0%
Foster City	\$3,907,631	\$5,689	0.1%
Hillsborough	\$2,021,219	\$7,484	0.4%
Menlo Park	\$6,608,325	\$246,803	3.7%
North Fair Oaks	\$1,977,205	\$17,532	0.9%
Redwood City	\$11,458,072	\$136,295	1.2%
San Carlos	\$5,766,877	\$95,174	1.7%
San Mateo	\$14,255,139	\$238,453	1.7%
West Bay	\$1,083,844	\$12,690	1.2%
County Franchise	\$2,436,377	\$17,962	0.7%
SBWMA Total	\$64,225,644	\$981,893	1.5%

Total Estimated
2021
Contractor's
Compensation
Increase from
2020

Total Estimated 2021 Contractor's Compensation Increase from 2020					
Member Agency	2020 Base Compensation	2021 Base Compensation Negotiated	Estimated 2021 Fuel Index Adjustment *	Estimated 2021 Service Level Adjustment *	Total 2021 Estimated Compensation
Atherton ** % Increase	\$1,415,554	\$1,593,158 12.5%	\$17,718 1.1%	\$1,699 0.1%	\$1,612,575 13.9%
Belmont % Increase	\$3,814,813	\$4,105,137 7.6%	\$41,905 1.0%	\$86,906 2.1%	\$4,233,948 11.0%
Burlingame % Increase	\$5,742,257	\$6,286,129 9.5%	\$60,789 1.0%	\$87,479 1.4%	\$6,434,396 12.1%
East Palo Alto % Increase	\$2,602,716	\$2,726,530 4.8%	\$27,477 1.0%	\$27,727 1.0%	\$2,781,734 6.9%
Foster City % Increase	\$3,671,314	\$3,907,631 6.4%	\$38,698 1.0%	\$5,689 0.1%	\$3,952,017 7.6%
Hillsborough % Increase	\$2,102,591	\$2,021,219 -3.9%	\$22,581 1.1%	\$7,484 0.4%	\$2,051,284 -2.4%
Menlo Park % Increase	\$6,293,486	\$6,608,325 5.0%	\$71,907 1.1%	\$246,803 3.7%	\$6,927,035 10.1%
North Fair Oaks % Increase	\$1,690,610	\$1,977,205 17.0%	\$20,097 1.0%	\$17,532 0.9%	\$2,014,833 19.2%
Redwood City % Increase	\$10,523,847	\$11,458,072 8.9%	\$114,502 1.0%	\$136,295 1.2%	\$11,708,869 11.3%
San Carlos % Increase	\$5,219,461	\$5,766,877 10.5%	\$59,612 1.0%	\$95,174 1.7%	\$5,921,663 13.5%
San Mateo % Increase	\$13,212,194	\$14,255,139 7.9%	\$141,905 1.0%	\$238,453 1.7%	\$14,635,497 10.8%
West Bay % Increase	\$1,028,762	\$1,083,844 5.4%	\$11,501 1.1%	\$12,690 1.2%	\$1,108,035 7.7%
County Franchise % Increase	\$2,310,910	\$2,436,377 5.4%	\$24,904 1.0%	\$17,962 0.7%	\$2,479,243 7.3%
SBWMA Total % Increase	\$59,628,514	\$64,225,644 7.7%	\$653,593 1.0%	\$981,893 1.5%	\$65,861,129 10.5%

* % Increase from Negotiated 2021 Base Compensation

** 2020 Compensation includes depreciation as stipulated under the Amended and Restated Agreement, which Atherton is still considering

2021 Additional Increases

2020		SBWMA Total	2021
A.	2020 RATE YEAR		
A.1	2020 Collection Revenue @ 2019 Rates	\$112,903,860	Increase Notes
A.2	Total Recology Compensation	\$59,521,224	Estimates per previous slides
A.3	Pass-Through Costs		
A.4	Disposal & Processing Fees	\$37,480,719	6% estimated increase over 2020
A.5	Agency Franchise Fees	\$15,882,621	May increase with revenue increase
A.6	Total Pass-Through Costs	\$53,363,340	
A.7	2020 Revenue Requirement	\$112,884,564	

2022 Service Level Adjustment Calculation

Direct Cost

Average 2018, 2019, 2020	vs.	Average 2019, 2020, 2021
MSW Accounts Single Family		MSW Accounts Single Family
Lifts Commercial/MFD		Lifts Commercial/MFD
Pulls Drop Box		Pulls Drop Box
Percent Increase		
Percent Increase x 100%		
Applied to Direct Costs		

Indirect Cost

Average 2018, 2019, 2020	vs.	Average 2019, 2020, 2021
MSW Accounts Single Family		MSW Accounts Single Family
Lifts Commercial/MFD		Lifts Commercial/MFD
Pulls Drop Box		Pulls Drop Box
Percent Increase		
Percent Increase x 65%		
Applied to Indirect Costs		

- **Depreciation** - Fixed at the 2022 negotiated amount
- **Fuel Increase** – Service Level Adjustment applies at 100%

Recology Cost Allocation to Member Agencies

General Cost Category	Specific Cost Category	Operational Statistic
Costs of Operation		
	Wages for Direct Labor	Annual Route Labor Hours
	Benefits for Direct Labor	Annual Route Labor Hours
	Payroll Taxes	Annual Route Labor Hours
	Worker's Compensation Expense	Annual Route Labor Hours
	Direct Fuel Costs	Annual Route Hours
	Other Direct Costs	Annual Route Hours
	Route Vehicles	Annual Route Hours
	Collection Containers	Containers in Service
	Other	Annual Route Hours
Allocated Indirect Costs Excluding Depreciation and Interest		
	General and Administrative	Number of Customer Accounts
	Vehicle Maintenance	Annual Route Hours
	Container Maintenance	Number of Containers in Service
	Operations	Annual Route Hours
Implementation	Implementation	Annual Route Hours
Allocated Indirect Depreciation	Allocated Indirect Depreciation	Annual Route Hours

Contact Information

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