

South Bay Recycling



Presenters:

Dwight Herring, SBR General Manager

Dan Domonoske, SBR Vice President & Board Member

Participants:

Mario Puccinelli, Recology South Group Manager

Carl Mennie, Recology South Group Controller

Bryce Giddens, Company Attorney

Change in Law China's National Sword



- Banned Mixed Paper
- Banned Mixed Plastics
- Imposed Contamination Limit of 0.5%
- Restricted the Number of Import Licenses
- Enacted Policies to Increase Inspections and Quarantines

Changes in SBRs Operations Due to Change in Law

- Reduction in Throughput
- Additional Overtime
- Additional Staffing
- Increase in Residual from Processing
- Increase in Operating Expense

Adjustments Allowed for Special Circumstances



- Section 7.11A(2) states, *“The Contractor may apply to the Authority for an **adjustment to one or more of the fees provided for in Section 7.03**, and the Authority may initiate such a review, if any of the following events occur, provided that the event will increase or decrease Contractor’s component costs of operation by an amount that is two percent (2%) or more of the total fees earned under Section 7.03 during the immediately preceding Rate Year and provided further that the costs will not be otherwise recovered through the per ton and per ton mile fees provided in Section 7.03.”*
- *A change in law occurring after the Effective Date that requires a change in operations.”*
- Section 7.11.D Requires SBR to justify with substantial evidence its entitlement to continuation of compensation for special circumstances. SBR requests an ongoing adjustment to compensation.

Preceding Year (2018) Payment Qualifier



Subtotal Facility Operation Fees Earned	\$ 12,303,785
Subtotal Transportation Fees Earned	<u>\$ 7,948,920</u>
Total Operations & Transportation Fees Earned	\$ 20,252,705
2% Component Costs of Operations Qualifier	\$ 405,054

SBRs Request

- Adjustment to Fees for Increased Costs in Operations Due to Change in Law
- Increased Labor Expense: \$439,548
- Increased MRF Residue Disposal: \$190,351
- Increased Disposal Transportation \$73,780
- Increased Operations Expense: \$81,488
- Revenue Share Loss: \$887,108
- Total Compensation Request (2019) \$1,672,276



QUESTIONS

Thank You For Your Time and Consideration

Timeline of Directive to Close Buyback Portion of PRC



- August 3-4, 2019: 284 rePlanet Buyback Centers Permanently Close in the State of California;
- August 5-15, 2019: Shoreway Public Recycling Center is Overwhelmed with Customers Redeeming CRV Containers;
- August 8, 2019: SBR Submits “Proposed Emergency Action Plan for PRC”
- August 9, 2019: Authority Rejects SBRs Proposal;
- August 13, 2019: Authority Directs SBR to Temporarily Close the Buyback Portion of the Public Recycling Center (PRC); and
- January 31, 2020: Authority Notifies SBR of Permanent Closure of Buyback Portion of PRC

Section 12.13 of Operating Agreement



- *“Authority may, without amending this Agreement, direct Contractor to cease performing one or more types of service described in Articles 4, 5, or 6, may direct Contractor to modify the scope of one or more such services, may direct Contractor to perform additional solid waste handling services, or may otherwise direct Contractor to modify its performance under any other Section of this Agreement. Contractor shall promptly and cooperatively comply with such direction.”*
- *“If such changes cause an increase or decrease in the cost of performing the services, or an increase or decrease in the amount of Revenue earned from the sale or other transfer of materials delivered to the Shoreway Center, an equitable adjustment in the Contractor’s compensation shall be made pursuant to Section 7.11. Contractor will continue to perform the new or changed service while the appropriate adjustment in compensation is being determined.”*

SBRs Request

- Amendment to Section 7.07 of the Operating Agreement to appropriately adjust the minimum amount of the Revenue Guarantee due to Authority's decision to permanently close the operation of the Buyback Center
- The requested adjustment does not result in a net loss of revenue to the Authority
- With the Closure of the Buyback Center, SBR is requesting a downward adjustment of the annual Revenue Guarantee also equal to the amount of \$864K , Adjusting the Revenue Guarantee to Approximately \$691K



QUESTIONS

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