

2021 Recology San Mateo County Compensation Adjustment Application

TAC Study Session
September 10, 2020



A Public Agency

Recology Compensation Adjustment Application

Table 1

Total Contractor's Compensation	Recology Compensation			
	2020 Cost	2021 Cost	Change	%
Base Compensation	\$59,494,689	\$65,614,926	\$6,120,237	10.3%
Incentives / Disincentives	\$26,535	\$159,587	\$ 133,052	501.4%
Total Contractor's Compensation	\$59,521,224	\$65,774,515	\$6,253,291	10.5%

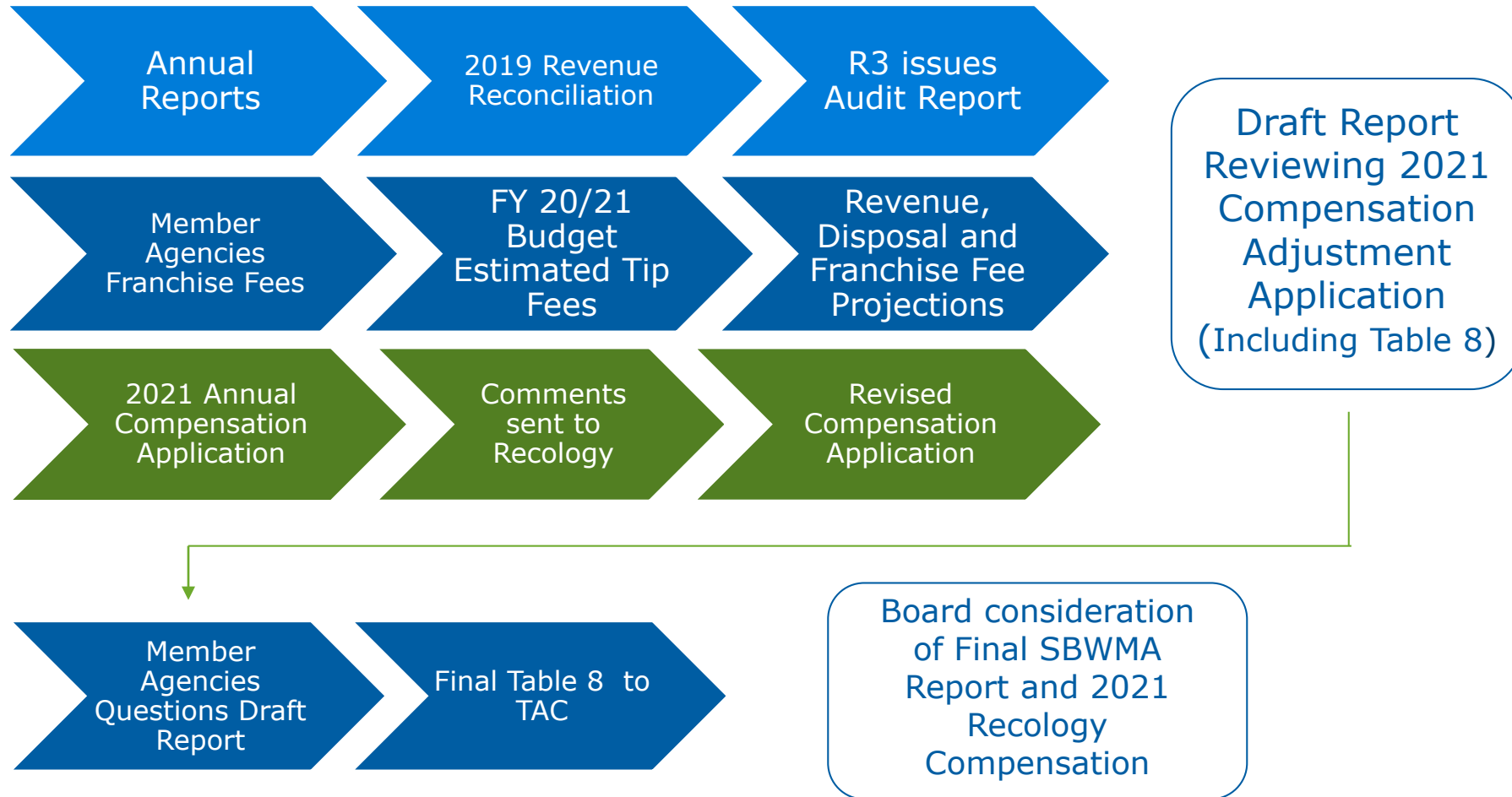
Contractor's compensation increase is primarily due to:

- **Commencement 2021 Negotiated Base Restated & Amended Franchise Agreements = +8% vs. LY**
- **Index Adjustment from the Negotiated Base = +0.8%**
- **Service Level Adjustment from the Negotiated Base = +1.3%**
- **Incentive / Disincentive = +\$133K**

Timeline in Completing SBWMA Final Report

Date	Action
15-Feb	Annual Reports issued by Recology and SBR
31-Mar	2019 Revenue Reconciliation issued by Recology
5-Jun	Letters to all Member Agencies requesting 2021 estimated franchise fees
15-Jun	2021 Annual Compensation Application submitted by Recology
18-Jun	Third Party Audit Report of Recology and SBR Annual Reports issued
25-Jun	Board Approved FY20/21 Budget including estimated tip fees
26-Jun	Comments sent to Recology from Member Agencies and SBWMA
3-Jul	2021 Annual Compensation Application submitted by SBR
17-Jul	Revised 2021 Annual Compensation Application submitted by Recology
24-Jul	Revenue, Disposal and Franchise Fee Projections issued by SBWMA
10-Aug	Draft Report reviewing Recology's 2021 Compensation Adjustment Application submitted by SBWMA
17-Aug	Draft Report reviewing SBR's 2021 Compensation Adjustment Application submitted by SBWMA
27-Aug	Member Agencies Written Comments on SBWMA Draft Reports (Recology and SBR)
10-Sep	SBWMA TAC Meeting: Staff Update and Discussion
17-Sep	SBWMA Final Report (SBR and Recology Comp and Recommended Collection Rate Adj.)
24-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 08/10/2020</i>									
2021 Rate Year									
	Total	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	
A. 2021 RATE YEAR									
A.1	2021 Collection Revenue @ 2020 Rates	\$113,734,088	\$3,219,879	\$7,533,996	\$11,257,983	\$5,382,492	\$6,360,355	\$3,221,054	\$12,078,104
A.2	Total Recology Compensation	\$65,774,515	\$1,612,762	\$4,216,811	\$6,417,246	\$2,782,697	\$3,961,352	\$2,049,577	\$6,892,197
A.3	Pass-Through Costs								
A.4	Disposal & Processing Fees	\$36,644,671	\$1,328,073	\$1,962,155	\$3,621,810	\$2,231,632	\$2,168,526	\$1,200,434	\$3,976,267
A.5	Agency Franchise Fees	\$16,083,680	\$331,060	\$1,982,280	\$1,874,459	\$642,907	\$402,221	\$295,220	\$2,007,410
A.6	Total Pass-Through Costs	\$52,728,352	\$1,659,133	\$3,944,435	\$5,496,270	\$2,874,539	\$2,570,747	\$1,495,654	\$5,983,677
A.7	2021 Revenue Requirement	\$118,502,867	\$3,271,895	\$8,161,246	\$11,913,516	\$5,657,235	\$6,532,098	\$3,545,231	\$12,875,873
A.8	2021 Surplus/(Shortfall) estimated	(\$4,768,779)	(\$52,016)	(\$627,250)	(\$655,533)	(\$274,743)	(\$171,743)	(\$324,178)	(\$797,769)
A.9	Agency Fees on A.8 Shortfall	(\$405,887)	(\$5,202)		(\$91,775)	(\$26,232)	(\$8,587)	(\$32,418)	(\$108,497)
A.10	Rate Adjustment Percentage (Associated with 2021 estimated Surplus/Shortfall)	4.5%	1.8%		6.6%	5.6%	2.8%	11.1%	7.5%
B. 2019 Final Surplus/(Shortfall)									
B.1	Surplus/(Shortfall) 2019 FINAL (incl. Interest)	\$1,415,776	\$117,154	(\$1,931,206)		\$57,124	\$148,378	\$307,175	\$309,418
B.2	Agency Fees on B.1 Shortfall								
B.3	Rate Adjustment Percentage (Associated with 2019 Final Surplus/Shortfall)	-1.2%	-3.6%			-1.1%	-2.3%	-9.5%	-2.6%
C. 2021 REQUIRED REVENUE ADJUSTMENT									
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	(\$3,758,890)							
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	\$117,492,978	\$3,159,942	\$10,092,452	\$12,005,290	\$5,626,344	\$6,392,308	\$3,270,474	\$12,674,952
C.3	Rate Adjustment Percentage (C.2 / A.1)	(\$3,758,890)	\$59,936	(\$2,558,456)	(\$747,308)	(\$243,852)	(\$31,952)	(\$49,420)	(\$596,848)
C.3	Rate Adjustment Percentage (C.2 / A.1)	3.3%	-1.9%		6.6%	4.5%	0.5%	1.5%	4.9%
D. 2020 Estimated Surplus/(Shortfall)									
D.1	Surplus/(Shortfall), 2020 estimated	\$4,668,942	\$387,665	\$41,640	\$267,765	\$11,226	\$293,681	(\$261,605)	(\$61,622)
D.2	Surplus/(Shortfall) 2018 FINAL (incl. Interest)	\$897,411		(\$945,960)		\$118,513	\$188,516	\$512,679	\$317,600
D.3	Net Estimated 2020 Surplus/Shortfall	\$5,566,353	\$387,665	(\$904,320)	\$267,765	\$129,739	\$482,197	\$251,074	\$255,978
D.4	Agency Fees on D.3 Estimated Shortfall								
D.5	Rate Adjustment Percentage (Associated with 2020 Estimated Surplus/Shortfall)	-4.9%	-12.0%	12.0%	-2.4%	-2.4%	-7.6%	-7.8%	-2.1%
E. Adjustments									
E.1	Miscellaneous Adjustment/Payment	\$3,462,776		\$3,462,776					
F. TOTAL RATE IMPACT									
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$108,463,849	\$2,772,277	\$7,533,996	\$11,737,526	\$5,496,605	\$5,910,110	\$3,019,399	\$12,418,974
F.2	Total Surplus/(Shortfall) (A.1 - F.1)	\$5,270,239	\$447,601		(\$479,543)	(\$114,112)	\$450,245	\$201,654	(\$340,871)
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-4.6%	-13.9%		4.3%	2.1%	-7.1%	-6.3%	2.8%

Recology Compensation Adjustment Application – Table 8

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 08/10/2020		2021 Rate Year					
		North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total
A. 2021 RATE YEAR							
A.1	2021 Collection Revenue @ 2020 Rates	\$3,238,839	\$21,386,468	\$9,299,907	\$25,365,787	\$1,771,433	\$3,617,793
A.2	Total Recology Compensation	\$2,023,225	\$11,701,064	\$5,906,082	\$14,623,981	\$1,107,810	\$2,479,713
A.3	Pass-Through Costs						
A.4	Disposal & Processing Fees	\$1,141,053	\$6,820,322	\$2,713,626	\$7,793,420	\$545,437	\$1,141,918
A.5	Agency Franchise Fees	\$151,112	\$2,975,656	\$1,238,935	\$3,909,796	\$101,430	\$171,193
A.6	Total Pass-Through Costs	\$1,292,165	\$9,795,978	\$3,952,561	\$11,703,215	\$646,867	\$1,313,111
A.7	2021 Revenue Requirement	\$3,315,390	\$21,497,042	\$9,858,643	\$26,327,197	\$1,754,676	\$3,792,824
A.8	2021 Surplus/(Shortfall) estimated	(\$76,551)	(\$110,574)	(\$558,736)	(\$961,410)	\$16,756	(\$175,031)
A.9	Agency Fees on A.8 Shortfall	(\$3,828)	(\$15,093)	(\$67,048)	(\$38,456)		(\$8,752)
A.10	Rate Adjustment Percentage (Associated with 2018 estimated Surplus/Shortfall)	2.5%	0.6%	6.7%	3.9%	-0.9%	5.1%
B. 2019 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2019 FINAL (incl. Interest)	\$186,576	\$117,943	\$163,382	\$1,382,278	\$136,383	\$421,171
B.2	Agency Fees on B.1 Shortfall						
B.3	Rate Adjustment Percentage (Associated with 2019 Final Surplus/Shortfall)	-5.8%	-0.6%	-1.8%	-5.4%	-7.7%	-11.6%
C. 2021 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$3,132,642	\$21,394,193	\$9,762,309	\$24,983,375	\$1,618,293	\$3,380,404
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	\$106,197	(\$7,725)	(\$462,403)	\$382,412	\$153,139	\$237,388
C.3	Rate Adjustment Percentage (C.2 / A.1)	-3.3%	0.0%	5.0%	-1.5%	-8.6%	-6.6%
D. 2020 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2020 estimated	\$295,802	\$1,773,735	\$371,047	\$1,325,197	\$147,320	\$77,092
D.2	Surplus/(Shortfall) 2018 FINAL (incl. Interest)	\$170,430	(\$68,556)	\$489,857	\$10,639	\$86,117	\$17,576
D.3	Net Estimated 2020 Surplus/Shortfall	\$466,232	\$1,705,179	\$860,904	\$1,335,836	\$233,437	\$94,668
D.4	Agency Fees on D.3 Estimated Shortfall						
D.5	Rate Adjustment Percentage (Associated with 2020 Estimated Surplus/Shortfall)	-14.4%	-8.0%	-9.3%	-5.3%	-13.2%	-2.6%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$2,666,410	\$19,689,014	\$8,901,405	\$23,647,539	\$1,384,856	\$3,285,737
F.2	Total Surplus/(Shortfall) (A1 - F1)	\$572,429	\$1,697,454	\$398,502	\$1,718,248	\$386,576	\$332,056
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-17.7%	-7.9%	-4.3%	-6.8%	-21.8%	-9.2%

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

2021 Contractor's CPI & Service Level Adjustment (from the 2021 Negotiated Base Compensation)

2021 Total by Member Agency	Negotiated 2021 Base Compensation	CPI Increases	CPI % Increase	Service Level Adjustment Increases	SLA % Increase	Total Compensation Including CPI + SLA	Total % Increase
Atherton	\$1,593,158	\$14,808	0.9	\$2,886	0.2	\$1,610,853	1.1
Belmont	\$4,105,137	\$33,702	0.8	\$71,123	1.7	\$4,209,962	2.6
Burlingame	\$6,286,129	\$49,449	0.8	\$59,585	0.9	\$6,395,164	1.7
East Palo Alto	\$2,726,530	\$22,597	0.8	\$23,218	0.9	\$2,772,345	1.7
Foster City	\$3,907,631	\$32,269	0.8	\$12,337	0.3	\$3,952,237	1.1
Hillsborough	\$2,021,219	\$18,809	0.9	\$7,276	0.4	\$2,047,304	1.3
Menlo Park	\$6,608,325	\$56,357	0.9	\$211,967	3.2	\$6,876,649	4.1
Redwood City	\$11,458,072	\$93,842	0.8	\$116,111	1.0	\$11,668,025	1.8
San Carlos	\$5,766,877	\$48,324	0.8	\$79,645	1.4	\$5,894,847	2.2
San Mateo	\$14,255,139	\$114,864	0.8	\$216,813	1.5	\$14,586,816	2.3
West Bay Sanitary Dist	\$1,083,844	\$9,419	0.9	\$13,245	1.2	\$1,106,508	2.1
Unincorporated County	\$2,436,377	\$20,607	0.8	\$19,256	0.8	\$2,476,241	1.6
North Fair Oaks	\$1,977,205	\$16,560	0.8	\$24,213	1.2	\$2,017,978	2.1
Total SBWMA *	\$64,225,644	\$531,608	0.8	\$857,676	1.3	\$65,614,927	2.2
* Excludes Incentive/Disincentive							

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%

Contact Information

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