



BOARD OF DIRECTORS MEETING BOARD/TAC STUDY SESSION

THURSDAY, September 9, 2021 AT 2:00pm
VIA ZOOM MEETING ONLY

Link to Join:

<https://us02web.zoom.us/j/89966590913?pwd=WEdqWmFzcVhyWVI6NDZ0RlZl1hUT09>

Phone number for voice access: 1 (669) 900 9128

Meeting ID: 899 6659 0913

Passcode: 799692

PURSUANT TO GOVERNOR NEWSOM'S EXECUTIVE ORDER N-29-20, THE MEETING WILL BE HELD BY TELECONFERENCE AND/OR VIDEO CONFERENCE ONLY. THE PUBLIC MAY PARTICIPATE BY JOINING THE ZOOM MEETING

<https://us02web.zoom.us/j/89966590913?pwd=WEdqWmFzcVhyWVI6NDZ0RlZl1hUT09> AND SUBMITTING THEIR PUBLIC COMMENTS IN A LIVE MEETING FORMAT. ANY EMAILS SENT TO RETHINKER@RETHINKWASTE.ORG WILL BE PROVIDED TO THE BOARD CHAIR PRIOR TO THE MEETING.

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ANY REQUEST FOR REASONABLE ACCOMMODATION SHOULD BE ADDRESSED TO CYNDI URMAN AT CURMAN@RETHINKWASTE.ORG.

AGENDA

1. Roll Call

2. Public Comment

Persons wishing to address the Board or TAC on matters NOT on the posted agenda may do so. Each speaker is limited to three 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. Speakers may also submit comments via email prior to the meeting by sending those comments to rethinker@rethinkwaste.org.

3. Executive Director's Report *(verbal report)*

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4. STUDY SESSION: 2022 Contractor's Compensation Applications

A. Review of the SBWMA Draft Report Reviewing the 2022 Recology San Mateo County Compensation Application

- Verbal progress report on Discussions with Recology regarding Amendment Two Additional Services to comply with SB 1383

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B. Review of the SBWMA DRAFT Report Reviewing the 2022 South Bay Recycling Compensation Application

- Verbal progress report on Additional Services to the Operations Agreement to comply with SB 1383

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5. Board Member/TAC Member Comments

6. Adjourn

MEMBER AGENCIES

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 UPDATE

Agenda Item 3 is a verbal report only at the
09/09/2021 Board/TAC SBWMA Study Session



STUDY SESSION

2022

Contractor's Compensation Applications



STAFF REPORT

To: SBWMA BOARD and TAC Members
From: Joe La Mariana, Executive Director
John Mangini, Senior Finance Manager
Date: September 9, 2021 Board/TAC Study Session
Subject: Review of the SBWMA Draft Report Reviewing the 2022 Recology San Mateo County Compensation Application

Recommendation

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

Summary

The Recology Compensation Application for 2022 has been thoroughly reviewed by SBWMA staff and an independent out-of-market industry expert firm, RRS Consulting, to ensure that the proscribed process as delineated in the Collection Agreement is being followed, and for mathematical and formulaic accuracy. The result is a recommended 1.6% increase in Recology's compensation for 2022. RRS Consulting's Report on the Compensation Application Review can be found in **Appendix C** of the Draft Report.

Analysis

The SBWMA Draft Report Reviewing the 2022 Recology Compensation Application issued to the TAC and Board on August 10, 2021 addresses Recology's compensation due for 2022 and the Total Revenue Requirement for the 11 member agencies to meet their contractual obligations. The Member Agencies are contractually obligated to set rates to generate revenue to match the 2022 Total Revenue Requirement. Any shortfall in net revenue to Recology by an individual member agency (or agencies) may result in an interest payment due to Recology in the subsequent rate year (e.g., 2021 final surplus or shortfall is determined in 2022 and included in 2023 revenue requirement). NOTE: Interest only applies if Member Agencies fail to set rates to match the total annual revenue requirement.

The 11 Member Agencies were requested to submit comments on the Draft Report back to the SBWMA by August 27. 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 16, 2021, for the Board's consideration at the September 23, 2020 Board of Director's meeting.

SBWMA Review of 2021 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 Twelve (i.e., 2022) compensation results in Total 2022 Contractor's Compensation of \$65,054,752, which is an increase of \$997,822 (1.6% increase from prior year) due primarily to the following:

- The New Recology Restated and Amended Agreement compensation increase methodology based on CPI indices and service levels.
- 2020 revenue reconciliation of surplus/shortfall and interest payments due to/from Recology (Table H in Recology Application).
- Performance Incentive/Disincentive payment to Recology of \$49,971 (Table F in Recology Application).
- Overall, 1.6% Total Compensation increase including compensation for Amendment 1 to the Franchise Agreements for an added fourth Bulky Item Collection Route. (Note: The County of San Mateo and the City of Belmont have yet to approve Amendment 1)

Additional Requested Adjustments to Recology’s Compensation Application issued on July 16, 2021

Item One: Recology’s Request for COVID-19 Pandemic-Related Costs Special Compensation (Staff recommendation: Deny). Section 11.05.A of the Amended and Restated Franchise Agreements, Special Compensation Review, provides in relevant part as follows:

11.05 SPECIAL COMPENSATION REVIEW

- A. **Eligible Items.** The Contractor may apply to the Agency for consideration of a special review of Contractor’s Compensation, and the Agency may initiate such a review, if one or more of the following events occur and cause an increase in or decrease to Contractor’s Compensation by two percent (2%) or more for the then-current Rate Year. If one or more of the following events occur and cause an increase in or decrease to Contractor’s Compensation by less than two percent (2%) for the then-current Rate Year, such cost impact shall be considered at the time the annual Contractor’s Compensation adjustment process is performed in accordance with Section 11.02, and Contractor may be compensated retroactively for such cost subject to Agency approval.
2. Flood, earthquake, or other similar catastrophic event affecting the Agency which 3892 is beyond the control of and not the fault of the Contractor.

Recology indicates that the COVID-19 pandemic was a “catastrophic event” as envisioned by this provision in the Franchise Agreements with Member Agencies and, as a result, includes in its compensation application an amount of \$229,874 for “adjustments in customer service, administrative and operational procedures, in order to comply with the State and Local Health and Safety Regulations due to the COVID-19 pandemic.”

Recology indicates it made purchases in the amount of \$45,891 for computers and equipment to maintain a Customer Service Call Center with remote workers. In addition, Recology indicates it spent an additional \$183,983 on other COVID-19 costs during Rate Years 2020 through May of Rate Year 2021. This includes costs for:

- Disposable surgical masks for drivers, mechanics and other administrative employees whose essential services did not allow for them to work remotely.
- Vehicle cleaning services for vehicles utilized by drivers, mechanics and operations employees, who were infected or had potentially been exposed to someone with the COVID-19 virus.
- Sanitation Stations and port-o-potty services for the drivers and mechanics in order to maintain proper and safe social distancing.
- Cleaning supplies and services necessary to disinfect offices and other common areas

- Personal Protective Equipment (PPE), such as disposable surgical masks and latex gloves for drivers, mechanics, and other on-site personnel.

As noted above, Section 11.05 allows for Contractor to request consideration of cost impacts occurring “for the then-current Rate Year” at the time the Annual Contractor’s Compensation adjustment process is being performed and some, but not all, of the requested costs fall within that time frame. While some of the costs fall within the relevant timeframe, staff recommends denial of this request for two reasons. First, COVID-19 does not qualify as a “catastrophic event” per the Franchise Agreements. The language in the Franchise Agreements cites as specific “catastrophic events” a flood or earthquake, both of which could cause physical damage resulting in business disruption. In this instance, there was no business disruption because the relevant State and County Health Orders deemed Recology’s operation to be an essential service which was allowed to operate without disruption.

Second, per Section 8.06 of the Franchise Agreements, Recology is required to furnish all personnel necessary to provide the services required by the Franchise Agreements subject to Section 15.01, “Relationship of Parties” which identifies Recology as the employer of its personnel. As such, Recology has sole and exclusive control over its employees and the responsibility to provide all equipment/material needed for its employees to perform the services required by the Franchise Agreements. For these reasons, staff recommends denial of this request.

Item Two: Recology has submitted a compensation proposal to roll out SB1383 beginning in compensation year 2022 (Staff recommendation: Pending). On July 16, 2021, Recology proposed to the SBWMA, a compensation adjustment to roll out organic containers to commercial and multi-family customers that currently do not subscribe to this service as required by SB1383. SB1383 additionally requires additional compliance tasks, including; contamination monitoring, route auditing and reporting. Recology has include a cost proposal for these additionally required SB1383 non-collection requirements. The SBWMA is currently negotiating this compensation with Recology on behalf of the SBWMA Member Agencies and confirm final planning-level program costs to be included in the September 30th Board agenda packet. **Table 9** in the Draft report includes estimated 2022 SB1383 compensation to Recology and estimated rate impact, which is derived from a compensation proposal being negotiated between the SBWMA and Recology. The proposal utilizes the Service Level Adjustment Compensation Adjustment mechanism with projected additional organics lifts associated with the rollout of organics containers. The projected 2022 additional lifts represent a partial rollout that Recology expects to be completed by April of 2022.

Recology’s 2022 compensation is compared to 2021 in **Table 1** below.

Table 1

Total Contractor's Compensation	Recology Compensation			
	2021 Cost	2022 Cost	Change	%
Base Compensation	\$63,899,252	\$65,004,781	\$1,105,529	1.7%
Incentives / Disincentives	\$157,678	\$49,971	\$ (107,707)	-68.3%
Total Contractor's Compensation	\$64,056,930	\$65,054,752	\$ 997,822	1.6%
<i>- Table excludes Recology's request for COVID-19 expense reimbursement</i>				
<i>- Table includes a compensation amount for Belmont as a placeholder (compensation is not yet determined)</i>				
<i>- Table excludes SB1383 estimated compensation</i>				

The adjustments to compensation for 2022 represent an increase in the total net compensation of 1.6% or \$997,822 from 2021. The results of the adjustment process are detailed by expense category in Table 3 of the Draft Report. Table 4 of the Draft Report illustrates the CPI Adjustments, Service Level Adjustments and the addition of the Bulky Item Collection Route (Amendment 1).

Rate Setting and Approval Process

This SBWMA **Draft** Report and recommendation is to determine the compensation owed to Recology for collection services in 2022. This Report also provides Table 8 (**Exhibit A**) which establishes the final Revenue Requirement that will be used as the basis for recommending the 2022 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 as well as prior year surplus/shortfall balances owed to/from the Member Agency and Recology.

Article 11 of the Restated and Amended 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, 2022, and net revenues billed by Recology in 2022 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.

In 2017, the SBWMA and its Member Agencies initiated negotiations with Recology to amend the Collection Agreements and extend the term, which resulted in Recology and the Member Agencies executing Restated and Amended Franchise Agreements ("Agreements") for Collection Services commencing January 1, 2021. The annual compensation adjustment process to Member Agencies is prescribed in Article 11 and Attachment K of the Restated and Amended Franchise Agreements. Attachment K explains the detailed process and specific rules used to adjust the various cost categories and the allocation of costs to the Member Agencies. The tables that comprise Attachment N are used to calculate the specific cost adjustments prescribed in Attachment K.

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 SBWMA Member Agencies is calculated in **Exhibit A**, Table 8, row F.3 for 2022 rates to cover the Total Revenue Requirement for the Recology cost, pass through costs, and the prior year's revenue reconciliation surplus/shortfall. Tables comparing 2022 costs to 2021 costs and showing the components of the

2022 rate adjustments by Member Agency are included in the Draft Report as Appendix B – Member Agency Variance Analysis of Total Collection Cost and Rate Impact.

Total Collection Rate Adjustment

The total rate adjustment is provided 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 2022 Collection Revenue using 2021 rates (**A.1**), the 2022 Total Recology Compensation (**A.2**) and Pass-Through Expenses (**A.6**) used to determine the 2022 Revenue Requirement (**A.7**), the estimated 2022 Surplus/Shortfall balance with Recology (**A.8**), Agency Fees on shortfalls (**A.9**), and the Rate Adjustment Percentage (**A.10**). *Each Member Agency has a different adjustment percentage.*
- **Section B** – This section provides the results of the 2020 Recology Revenue Reconciliation surplus/shortfall that must be added to the 2022 rate adjustment.
- **Section C** – This section provides the cumulative 2022 Required Rate Adjustment which is the sum of sections A and B.
- **Section D** – This section provides the “2021 estimated surplus/(shortfall)” balance with Recology (**D.1**), including the adjusted 2019 surplus/shortfall (**D.2**) and the associated Agency Fees on any net estimated shortfall (**D.4**). The 2021 Revenue Reconciliation will be finalized in 2023, similar to how the 2020 Revenue Reconciliation was finalized in 2022.
- **Section E** – This section includes an adjustment for Belmont’s unique agreement with Recology.
- **Section F** – This section provides the “Cumulative Revenue Requirement” (**F.1**)” and the cumulative surplus (**F.2**) which includes the result of Sections C, D and E. **The overall SBWMA calculated rate adjustment is on line (F.3).**

Attachments:

Attachment A – Table 8 Total Collection Rate Adjustment

Attachment B – SBWMA Draft Report Reviewing the 2021 Recology San Mateo County Compensation

Attachment B Appendices - Available online only at www.rethinkwaste.org:

- [APPENDIX A –Recology 2022 revised Compensation Application Issued on July 16, 2021. Revised from version submitted on June 15](#)
- [APPENDIX B – Member Agency Variance Analysis of Total Collection Cost and Rate Impact Comparing 2022 with 2021](#)
- [APPENDIX C – RRS Consulting’s Report Reviewing Recology’s 2022 Compensation Adjustment Application \(Including Recology’s Responses to SBWMA Questions and Comments\)](#)

SBWMA								
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY								
as of 08/10/2021								
2022 Rate Year								
	Belmont *	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park		
A. 2022 RATE YEAR								
A.1	2022 Collection Revenue @ 2021 Rates	\$7,403,489	\$11,070,046	\$5,389,157	\$6,316,861	\$3,408,650	\$11,820,629	
A.2	Total Recology Compensation	\$4,105,136	\$6,370,948	\$2,851,964	\$4,007,890	\$2,079,814	\$6,888,861	
A.3	Pass-Through Costs							
A.4	Disposal & Processing Fees	\$1,732,663	\$3,244,890	\$2,174,161	\$2,175,471	\$1,193,349	\$3,652,711	
A.5	Agency Franchise Fees	\$2,051,120	\$1,844,348	\$649,504	\$401,290	\$312,992	\$1,974,727	
A.6	Total Pass-Through Costs	\$3,783,783	\$5,089,239	\$2,823,666	\$2,576,761	\$1,506,341	\$5,627,438	
A.7	2022 Revenue Requirement	\$7,888,919	\$11,460,187	\$5,675,630	\$6,584,650	\$3,586,155	\$12,516,299	
A.8	2022 Surplus/(Shortfall) estimated	(\$485,430)	(\$390,141)	(\$286,473)	(\$267,790)	(\$177,504)	(\$695,670)	
A.9	Agency Fees on A.8 Shortfall		(\$54,620)	(\$27,352)	(\$13,389)	(\$17,750)	(\$94,611)	
A.10	Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)		4.0%	5.8%	4.5%	5.7%	6.7%	
B. 2020 Final Surplus/(Shortfall)								
B.1	Surplus/(Shortfall) 2020 FINAL (incl. Interest)			\$79,221	\$365,083	\$276,148	(\$84,890)	
B.2	Agency Fees on B.1 Shortfall						(\$11,545)	
B.3	Rate Adjustment Percentage (Associated with 2020 Final Surplus/Shortfall)			-1.5%	-5.8%	-8.1%	0.8%	
C. 2022 REQUIRED REVENUE ADJUSTMENT								
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$7,888,919	\$11,514,807	\$5,623,761	\$6,232,957	\$3,327,757	\$12,707,345	
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	(\$485,430)	(\$444,761)	(\$234,604)	\$83,904	\$80,893	(\$886,716)	
C.3	Rate Adjustment Percentage (C.2 / A.1)		4.0%	4.4%	-1.3%	-2.4%	7.5%	
D. 2021 Estimated Surplus/(Shortfall)								
D.1	Surplus/(Shortfall), 2021 estimated		(\$388,011)	(\$177,138)	(\$180,502)	(\$122,155)	(\$631,433)	
D.2	Surplus/(Shortfall) 2019 FINAL (incl. Interest)			\$57,124	\$148,378	\$307,175	\$309,418	
D.3	Net Estimated 2021 Surplus/Shortfall		(\$388,011)	(\$120,014)	(\$32,124)	\$185,020	(\$322,015)	
D.4	Agency Fees on D.3 Estimated Shortfall		(\$54,322)	(\$11,459)	(\$1,606)		(\$43,794)	
D.5	Rate Adjustment Percentage (Associated with 2021 Estimated Surplus/Shortfall)		4.0%	2.4%	0.5%	-5.4%	3.1%	
E. Adjustments								
E.1	Miscellaneous Adjustment/Payment							
F. TOTAL RATE IMPACT								
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$7,888,919	\$11,957,139	\$5,755,234	\$6,266,687	\$3,142,737	\$13,073,154	
F.2	Total Surplus/(Shortfall) (A.1 - F.1)	(\$485,430)	(\$887,093)	(\$366,077)	\$50,174	\$265,914	(\$1,252,525)	
F.3	Total Rate Adjustment Percentage (F.2 / A.1)		6.6%	8.0%	6.8%	-0.8%	-7.8%	10.6%

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 08/10/2021							
2022 Rate Year							
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total	
A. 2022 RATE YEAR							
A.1	2022 Collection Revenue @ 2021 Rates	\$3,218,707	\$21,249,087	\$9,529,785	\$24,833,973	\$1,837,488	\$3,615,765
A.2	Total Recology Compensation	\$2,089,047	\$11,942,117	\$6,024,061	\$14,935,701	\$1,131,270	\$2,525,843
A.3	Pass-Through Costs						
A.4	Disposal & Processing Fees	\$1,083,838	\$6,527,126	\$2,626,054	\$7,612,755	\$538,744	\$1,105,885
A.5	Agency Franchise Fees	\$154,632	\$3,042,005	\$1,298,538	\$4,122,801	\$105,261	\$174,158
A.6	Total Pass-Through Costs	\$1,238,469	\$9,569,131	\$3,924,592	\$11,735,555	\$644,005	\$1,280,044
A.7	2022 Revenue Requirement	\$3,327,516	\$21,511,248	\$9,948,652	\$26,671,256	\$1,775,276	\$3,805,887
A.8	2022 Surplus/(Shortfall) estimated	(\$108,809)	(\$262,162)	(\$418,868)	(\$1,837,283)	\$62,212	(\$190,122)
A.9	Agency Fees on A.8 Shortfall	(\$5,440)	(\$35,785)	(\$50,264)	(\$73,491)		(\$9,506)
A.10	Rate Adjustment Percentage (Associated with 2018 estimated Surplus/Shortfall)	3.5%	1.4%	4.9%	7.7%	-3.4%	5.5%
B. 2020 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2020 FINAL (incl. Interest)	\$414,481	\$1,047,452	\$738,906	(\$308,256)	\$211,130	\$68,804
B.2	Agency Fees on B.1 Shortfall				(\$12,330)		
B.3	Rate Adjustment Percentage (Associated with 2020 Final Surplus/Shortfall)	-12.9%	-4.9%	-7.8%	1.3%	-11.5%	-1.9%
C. 2022 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$2,918,476	\$20,499,582	\$9,260,011	\$27,065,334	\$1,564,146	\$3,746,589
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	\$300,232	\$749,505	\$269,774	(\$2,231,361)	\$273,342	(\$130,824)
C.3	Rate Adjustment Percentage (C.2 / A.1)	-9.3%	-3.5%	-2.8%	9.0%	-14.9%	3.6%
D. 2021 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2021 estimated	\$10,939	\$142,406	(\$369,943)	(\$1,158,458)	\$96,749	(\$87,721)
D.2	Surplus/(Shortfall) 2019 FINAL (incl. Interest)	\$186,576	\$117,943	\$163,382	\$1,382,278	\$136,383	\$421,171
D.3	Net Estimated 2021 Surplus/Shortfall	\$197,515	\$260,349	(\$206,561)	\$223,820	\$233,132	\$333,450
D.4	Agency Fees on D.3 Estimated Shortfall			(\$24,787)			
D.5	Rate Adjustment Percentage (Associated with 2021 Estimated Surplus/Shortfall)	-6.1%	-1.2%	2.4%	-0.9%	-12.7%	-9.2%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$2,720,961	\$20,239,232	\$9,491,359	\$26,841,514	\$1,331,013	\$3,413,140
F.2	Total Surplus/(Shortfall) (A1 - F1)	\$497,747	\$1,009,854	\$38,425	(\$2,007,541)	\$506,474	\$202,626
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-15.5%	-4.8%	-0.4%	8.1%	-27.6%	-5.6%



SBWMA **DRAFT** REPORT REVIEWING THE 2022 RECOLOGY SAN MATEO COUNTY COMPENSATION APPLICATION

August 10th, 2021
(Redline Revision September 2nd, 2021)

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APPENDICES

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[APPENDIX B](#) – [Member Agency Variance Analysis of Total Collection Cost and Rate Impact Comparing 2022 with 2021](#)

[APPENDIX C](#) – [RRS Consulting’s Report Reviewing Recology’s 2022 Compensation Adjustment Application \(Including Recology’s Responses to SBWMA Questions and Comments\)](#)

SECTION 1 EXECUTIVE SUMMARY

1.A Summary

The South Bayside Waste Management Authority (SBWMA/RethinkWaste) is required to review the Recology San Mateo County (Recology) 2021 Compensation Application (Application) for completeness, accuracy and consistency as prescribed in the Restated and Amended Franchise Agreements between the SBWMA Member Agencies and Recology. The Application is to document the results of Recology following the prescribed compensation adjustment process detailed in Article 11, and Attachments K and N of the Member Agency Restated and Amended Franchise Agreements. Specifically, this process includes applying the change to various indices to the approved 2021 compensation, applying a Service Level Adjustment (SLA) to the 2021 compensation specific to each Member Agencies and adding the prior year's revenue reconciliation balances. Service Level Adjustment (SLA) is further described in Section 1.D Recology Service Level Adjustment Process by Member Agency.

This **Draft** Report provides the results of SBWMA's review of Recology's 2022 Application and the critical analysis by the SBWMA of all components that make-up the total revenue requirement for Member Agencies to set solid waste rates. The total revenue requirement is the total cost of service including Recology compensation, disposal and processing costs, Member Agency fees, and prior years surplus/shortfalls owed to/from Recology.

The SBWMA provides a calculated total rate impact for each Member Agency (see **Table 8 on pages 14 and 15**) and calculated rate adjustment for 2022, which consolidates all the projected revenue and cost components associated with the solid waste rate setting process by Member Agency.

1.B Compensation Application Process and Issuance of SBWMA Report

The 2022 Recology Compensation Application was submitted to the SBWMA and Member Agencies on June 15, 2021. On June 29, 2021 the SBWMA submitted questions and comments to Recology. On July 16, 2021 Recology submitted a revised 2021 Compensation Application and responses to the SBWMA's questions and comments. **Appendix A** provides Recology's revised July 16 version of its 2022 Compensation Application. **Appendix C** provides the SBWMA's questions and comments to Recology's Compensation Application, and Recology's response submitted on July 16. The SBWMA provided all Member Agencies their detailed revenue, agency fees, and disposal and processing cost projections for 2022 on July 23rd.

Additional Requested Adjustments to Recology's Compensation Application issued on July 16, 2021

Item one: Recology's Request for COVID-19 Pandemic Related Costs Special Compensation (Recommendation: Deny). Section 11.05.A of the Amended and Restated Franchise Agreements, Special Compensation Review, provides in relevant part as follows: ~~identifies that cost impacts associated with catastrophic events, which are beyond the control of and not the fault of the Contractor shall be considered at the time of the Annual Compensation Adjustment process.~~

11.05 SPECIAL COMPENSATION REVIEW

A. Eligible Items. The Contractor may apply to the Agency for consideration of a special review of Contractor's Compensation, and the Agency may initiate such a review, if one or more of the following events occur and cause an increase in or decrease to Contractor's Compensation by two percent (2%) or more for the then-current Rate Year. If one or more of the following events occur and cause an increase in or decrease to Contractor's Compensation by less than two percent (2%) for the then-current Rate Year, such cost impact shall be considered at the time the annual Contractor's Compensation adjustment process is performed in accordance with Section 11.02, and Contractor may be compensated retroactively for such cost subject to Agency approval.

2. Flood, earthquake, or other similar catastrophic event affecting the Agency which 3892 is beyond the control of and not the fault of the Contractor.

Recology has detailed \$229,874 in costs in order to comply with the State and Local Health and Safety Regulations due to the COVID-19 pandemic. Staff is not recommending this special compensation, as COVID-19 has financially impacted most private and public organizations including a generally negative financial impact to Member Agencies, indicates that the COVID-19 pandemic was a "catastrophic event" as envisioned by this provision in the Franchise Agreements with Member Agencies and, as a result, includes in its compensation application an amount of \$229,874 for "adjustments in customer service, administrative and operational procedures, in order to comply with the State and Local Health and Safety Regulations due to the COVID-19 pandemic."

Recology indicates it made purchases in the amount of \$45,891 for computers and equipment to maintain a Customer Service Call Center with remote workers. In addition, Recology indicates it spent an additional \$183,983 on other COVID-19 costs during Rate Years 2020 through May of Rate Year 2021. This includes costs for:

- Disposable surgical masks for drivers, mechanics and other administrative employees whose essential services did not allow for them to work remotely.
- Vehicle cleaning services for vehicles utilized by drivers, mechanics and operations employees, who were infected or had potentially been exposed to someone with the COVID-19 virus.
- Sanitation Stations and port-o-potty services for the drivers and mechanics in order to maintain proper and safe social distancing.
- Cleaning supplies and services necessary to disinfect offices and other common areas
- Personal Protective Equipment (PPE), such as disposable surgical masks and latex gloves for drivers, mechanics, and other on-site personnel.

As noted above, Section 11.05 allows for Contractor to request consideration of cost impacts occurring "for the then-current Rate Year" at the time the Annual Contractor's Compensation adjustment process is being performed and some, but not all, of the requested costs fall within that time frame. While some of the costs fall within the relevant timeframe, staff recommends denial of this request for two reasons. First, COVID-19 does not qualify as a "catastrophic event" per the Franchise Agreements. The language in the Franchise Agreements cites as specific "catastrophic events" a flood or earthquake, both of which could cause physical damage resulting in business disruption. In this instance, there was no business disruption because the relevant State and County Health Orders deemed Recology's operation to be an essential service which was allowed to operate without disruption.

Second, per Section 8.06 of the Franchise Agreements, Recology is required to furnish all personnel necessary to provide the services required by the Franchise Agreements subject to Section 15.01, “Relationship of Parties” which identifies Recology as the employer of its personnel. As such, Recology has sole and exclusive control over its employees and the responsibility to provide all equipment/material needed for its employees to perform the services required by the Franchise Agreements. For these reasons, staff recommends denial of this request.

Item Two: Recology has submitted a compensation proposal to roll out SB1383 beginning in compensation year 2022 (Recommendation: Pending). On July 16, 2021, Recology proposed to the SBWMA, a compensation adjustment to roll out organic containers to commercial and multi-family customers that currently do not subscribe to this service as required by SB1383. SB1383 additionally requires additional tasks, including; contamination monitoring, route auditing and reporting. Recology has include a cost proposal for these additionally required SB1383 non-collection requirements. The SBWMA is currently negotiating this compensation with Recology, ~~and this additional compensation request is not included in this Draft Report or in the calculated Member Agency revenue requirement in this Draft Report.~~ Table 9 in this report includes estimated 2022 SB1383 compensation to Recology and estimated rate impact, which is derived from a compensation proposal being negotiated between the SBWMA and Recology. The proposal utilizes the Service Level Adjustment Compensation Adjustment mechanism with projected additional organics lifts associated with the rollout of organics containers. The projected 2022 additional lifts represent a partial rollout that Recology expects to be completed by April of 2022.

The **Draft** Report assigns an individualized total compensation amount due to Recology from each Member Agency, which yields the overall total compensation to Recology. All tables in this report that illustrate an overall compensation includes a compensation amount for the City of Belmont that is not currently accurate, as City of Belmont has a unique compensation adjustment methodology and the two parties have yet to agree a compensation total as of this writing.

Table 1 on the next page shows the complete schedule to review and comment on Recology’s Compensation Application. This **Draft** Report provides the guidance for Member Agencies to adjust 2022 solid waste rates, if necessary.

**Table 1
2021 Schedule to Approve Recology 2022 Compensation**

<u>Due Date</u>	<u>Milestone</u>
June 15, 2021	Recology 2022 Compensation Application Submitted to Member Agencies and SBWMA
June 29, 2021	Member Agencies and SBWMA Comments Due to Recology
July 17, 2021	Revised Recology 2021 Compensation Application Submitted to Member Agencies and SBWMA
August 10, 2021	SBWMA Draft Report Reviewing the 2022 Recology Compensation Application Issued to Member Agencies
August 27, 2021	Member Agencies Written Comments on SBWMA Draft Report Due to SBWMA
September 9, 2021	SBWMA Board/TAC Meeting: Staff Update and Discussion

September 16, 2021	SBWMA Final Report Issued to Member Agencies/Board
September 30, 2021	SBWMA Board Meeting: Consideration of Final Report

1.C Summary of Notable Items in the 2022 Recology Compensation Application

Notable items included in the 2022 Recology Compensation Application include:

- Application of the Recology Restated and Amended Agreement compensation increase methodology, which is based on CPI indices and service levels.
- 2020 revenue reconciliation of surplus/shortfall and interest payments due to/from Recology (Table H in Recology Application).
- Performance Incentive/Disincentive payment to Recology of \$49,971 (Table F in Recology Application).
- Overall, 1.6% Total Compensation increase including a fuel index decrease of 8.1%

1.D Recology Service Level Adjustment by Member Agency

The annual compensation adjustment process to Member Agencies is prescribed in Article 11 and Attachment K of the Restated and Amended Franchise Agreements. Attachment K explains the detailed process and specific rules used to adjust the various cost categories and the allocation of costs to the Member Agencies. The tables that comprise Attachment N are used to calculate the specific cost adjustments prescribed in Attachment K.

The 2022 Recology Compensation Application adjusts Attachment N costs by applying the various April 2020 to April 2021 index change.

Next, service level adjustments are applied to: Direct Labor Related Costs; Direct Fuel Costs; and Other Direct Costs. For Rate Year 2022, the Single-Family lines of business service level adjustments are 100% of the percentage change in the rolling three-year average number of Solid Waste accounts in each Member Agency. In Rate Year 2022, 100% of the change in service levels for Commercial lines of business, lifts shall be used rather than accounts; and, for Drop Box lines of business, pulls shall be used rather than accounts. Indirect Costs are adjusted by 65% change in the three-year rolling average in accounts for residential and lifts for commercial.

Per section 7.12 of the Franchise Agreements, Recology conducted its Annual Route Assessment over a four-week period in 2021. The assessment is intended to annually confirm and update Recology's data related to customer accounts, service levels and operations, including, but not limited to: (1) number of Accounts, (2) Bin and Cart lifts, and (3) Drop Box pulls to be used as the basis for the rolling three-year Service Level Adjustment. Recology submitted its 2022 Compensation Adjustment Application using the Assessment four-week period in April 2021.

Recommendation

Based on the net results of the cost adjustments calculated in the 2022 Recology Compensation Application, SBWMA intends to recommend that the Board approve an adjustment to Recology's 2022 compensation as delineated in **Table 2** below. It is expected that **Table 2** in this **Draft** Report will be modified in a **Final** Report before Staff recommends it for Board approval due to The City of Belmont having a unique compensation methodology. Belmont's compensation is not available as of this writing. **Table 2**

summarizes the adjusted 2022 costs and changes from 2021. The total change in Recology’s compensation for 2022 is an increase of \$997,822 or 1.6% from 2021. This increase includes \$631,451 approved compensation for Amendment 1 to the Franchise Agreements for an added fourth Bulky Item Collection Route (Note: The County of San Mateo and The City of Belmont have yet to approve Amendment 1). Excluding the Amendment 1 Recology’s compensation increases \$366,451 or 0.6%. The SB1383 additional compensation estimate is not included in Table 2.

**Table 2
Summary of Adjusted 2021 Costs to 2022 Costs**

RECOLOGY COMPENSATION SUMMARY	2021 Cost	2022 Cost	\$ Change	% Change
Total Annual Cost of Operations	\$ 56,820,574	\$ 57,809,133	\$ 988,559	1.7%
Profit	5,964,590	6,068,362	103,772	1.7%
Operating Ratio	90.5%	90.5%		
Total Operating Costs	\$ 62,785,164	\$ 63,877,495	\$ 1,092,331	1.7%
Contractor Pass-Through Costs				
Interest Expense ¹	\$ 1,114,088	\$ 1,127,286	\$ 13,198	1.2%
Interest Expense on Implementation Cost	-	-	-	
Contract Changes to Specific Agencies ²	-	229,874	229,874	
Total Contractor Pass-Through Costs	\$ 1,114,088	\$ 1,357,160	\$ 243,072	21.8%
BASE CONTRACTOR'S COMPENSATION	\$ 63,899,252	\$ 65,234,655	\$ 1,335,403	2.1%
Other Adjustments				
Performance Incentives / Disincentives	\$ 157,678	\$ 49,971	\$ (107,707)	68.3%
Total Other Adjustments	\$ 157,678	\$ 49,971	\$ (107,707)	68.3%
TOTAL CONTRACTOR'S COMPENSATION	\$ 64,056,930	\$ 65,284,626	\$ 1,227,696	1.9%
CONTRACTOR'S COMPENSATION (Excl COVID-19)	64,056,930	65,054,752	997,822	1.6%
¹ Interest expense is per the negotiated Restated and Amended Franchise Agreements				
² COVID-19 Special Compensation Request				

SECTION 2 BACKGROUND

2.A Franchise Agreement Terms

Ten of the eleven SBWMA Member Agency Agreements use the same methodology to calculate the compensation owed to Recology. One Member Agency (i.e., City of Belmont) uses a different compensation methodology; however, using this different methodology has no bearing on the costs (compensation) or services provided to the other eleven Member Agencies.

The compensation adjustment methodology is detailed in Article 11, Attachment K and Attachment N in the Member Agency Restated and Amended Franchise Agreements. Article 11 describes the methodology and process by which the compensation adjustment process shall be implemented. Attachment K provides more detail on this process and how costs (compensation) will be allocated amongst the Member Agencies.

Cost Adjustment Process

Attachment K, Table 1 of the Restated and Amended Franchise Agreements prescribes a detailed process to adjust Recology's costs during the full fifteen-year term of the Restated and Amended Franchise Agreements. A flowchart in Recology's Compensation Application (see table D of Appendix A) illustrates graphically the cost adjustment process that is conducted each year. Cost adjustments are based primarily on changes in US DOL indices and service levels.

The 2022 Recology Compensation Application adjusts Attachment N costs by applying the various April 2020 to April 2021 index change.

Service level adjustments are applied to: Direct Labor Related Costs; Direct Fuel Costs; and Other Direct Costs. For Rate Year 2022, the Single-Family lines of business service level adjustments are 100% of the percentage change in the rolling three-year average number of Solid Waste accounts in each Member Agency. In Rate Year 2022, 100% of the change in service levels for Commercial lines of business, lifts shall be used rather than accounts; and, for Drop Box lines of business, pulls shall be used rather than accounts. Indirect Costs are adjusted by 65% change in the three-year rolling average in accounts for residential and lifts for commercial.

As previously stated at many Board and TAC meetings during the past few years, Staff strongly recommend that each Member Agency continue to build its rate stabilization funds to help offset the step up in base costs between rate year 2020 and rate year 2021.

2.B Annual Revenue Reconciliation

There is an annual revenue reconciliation process to determine the net revenue Recology retained versus the amount actually owed to the company. The calculation compares the gross revenue billed, less contractor paid pass-through expenses for Member Agency fees and disposal and processing expense at the Shoreway facility (owned by SBWMA/RethinkWaste), versus the approved contractor's compensation. This revenue reconciliation process results in a surplus or shortfall owed to/from Recology by Member Agency. This surplus or shortfall will be added to or subtracted from the Recology's compensation for the subsequent rate year (in this case for 2022).

The Recology 2020 Revenue Reconciliation Report was submitted to the SBWMA and Member Agencies on March 31, 2021. Staff reviewed this 2020 Revenue Reconciliation Report and contracted an independent

firm (i.e., R3 Consultants), to thoroughly review it, which included validating the accuracy of the results by Member Agency. On June 24, 2021 the Board reviewed agenda item 4E which included the audit findings and results (i.e., final 2020 surplus/shortfall and interest) of the revenue reconciliation that will be added to or subtracted from Recology's 2022 compensation. Agencies can also request a refund of surplus balances or make payments to Recology for shortfalls. The final 2020 Revenue Reconciliation balances, net of payments, have been included in Recology's 2022 Compensation Application (see Table H).

2.C Review of Compensation Application by SBWMA for Accuracy and Completeness and Issuance of Final Report

The Franchise Agreements state that the SBWMA is responsible for annually conducting a review and analysis of Recology's Compensation Application. The SBWMA contracted with RRS Consulting to conduct a thorough review of the data, calculations, index adjustments, and the service level adjustment calculation. This review is used to prepare the analysis contained in this report including any changes and adjustments to Recology's compensation. Recology is obligated to promptly provide to the SBWMA any missing information, explanations and agreed changes upon request during the Compensation Application review process. Recology submitted a revised Compensation Application on July 16 based on Staff and RRS Consulting's comments. The questions and comments submitted to the company during the initial review period in June are provided in **Appendix C**. RRS Consulting's Report on the Compensation Application Review can be found in **Appendix C**.

SECTION 3 2022 RECOLOGY COMPENSATION APPLICATION

3.A Description of Compensation Adjustments

The 2022 Recology Compensation Application is based on each Member Agency's base compensation in their specific Restated and Amended Franchise Agreements, adjusting for indices and service level as previously described to arrive at the 2022 compensation by cost category. In the Compensation Application, the term "cost" really refers to "compensation." Please note this does not mean Recology's "true" costs. The SBWMA moved from a "cost plus" compensation model to a "fixed price plus index adjustment" compensation methodology with the Recology contract that started on January 1, 2011. The Restated and Amended Franchise Agreements, starting January 1, 2021, includes the service level compensation adjustment and index compensation adjustment.

The Franchise Agreements with Recology also provide for additional compensation adjustments for special issues related to performance incentive/disincentive payments (and liquidated damages).

Recology Annual Revenue Reconciliation Report for 2020. Recology submitted a Revenue Reconciliation Report for 2020 to the SBWMA on March 31, 2021 which compares the approved compensation owed to Recology for 2020 with the actual net funds retained by Recology after paying for pass-through costs for disposal and processing at Shoreway and Agency fees (e.g., Franchise Fees) paid to each Member Agency. The SBWMA thoroughly reviews this Report and it is audited by an independent third party firm (i.e., R3 Consultants). The audit results are then provided to the Board for consideration and approval. Each Member Agency annually generates a surplus or shortfall which is added to or subtracted from the next year's Revenue Requirement. The 2020 surplus balance including interest is \$2,808,079 due from Recology after the payment from the City of Burlingame for their 2020 shortfall. The balance due from Recology can be found B.1 on **Table 8**.

Performance Incentive/Disincentive Payments (and Liquidated Damages). Recology reported the 2020 Performance Incentives/Disincentives and Liquidated Damages calculations which was reviewed and approved by the SBWMA and R3 Consulting. The total annual Recology recycling diversion incentive payment from 2011 to 2020 are as follows:

- 2011 - \$913,060 (diversion incentive payment to Recology)
- 2012 - \$489,164 (diversion incentive payment to Recology)
- 2013 - \$257,650 (diversion incentive payment to Recology)
- 2014 - \$42,217 (diversion incentive payment to Recology)
- 2015 - (\$14,215) (diversion disincentive payment to the Member Agencies)
- 2016 - \$175,789 (diversion incentive payment to Recology)
- 2017 - \$155,789 (diversion incentive payment to Recology)
- 2018 - \$59,830 (diversion incentive payment to Recology)
- 2019 - \$168,964 (diversion incentive payment to Recology)
- 2020 - \$96,691 (diversion incentive payment to Recology)

Recology's 2020 diversion incentive payment is \$96,691 including Belmont. The diversion incentive payment is offset by Performance penalties. The net amount owed to Recology and added to Recology's 2021 compensation is \$49,971 including Belmont (Table F in Recology's Application Appendix A).

3.B Adjustment of 2021 Compensation to 2022

As prescribed in Article 11, Attachment K and Attachment N of the Restated and Amended Franchise Agreements, the adjustment of the 2021 compensation to 2022 compensation is based on each Member Agency's negotiated 2021 compensation, which is adjusted by indices and service level adjustment. The 2022 increase also includes \$631,451 approved compensation for Amendment 1 to the Franchise Agreements for an added fourth Bulky Item Collection Route ([Note: The County of San Mateo and The City of Belmont have yet to approve Amendment 1](#)).

Table 3 on the following page provides the detailed results from making all compensation adjustments from 2021 to 2022. The application of all adjustment factors results in an overall increase in Recology's base 2022 compensation totaling \$997,822 or 1.6% from 2021. [The SB1383 additional compensation estimate is not included in Table 3.](#)

Table 3
Results of Adjustments of 2021 Costs to 2022 Costs

RECOLOGY COMPENSATION DETAIL	2021 Cost	2022 Cost	% of Total Cost	\$ Change	% Change
Annual Cost of Operations					
Direct Labor-Related Costs					
Wages	\$ 19,234,446	\$ 19,816,071	30.4%	\$ 581,625	3.0%
Benefits	8,892,493	9,057,453	13.9%	164,960	1.9%
Payroll Taxes	1,600,307	1,605,102	2.5%	4,795	0.3%
Workers Compensation Insurance	1,370,391	1,420,115	2.2%	49,724	3.6%
Total Direct Labor Related-Costs	\$ 31,097,637	\$ 31,898,740	48.9%	\$ 801,103	2.6%
Direct Fuel Costs	2,530,275	2,325,454	3.6%	(204,821)	-8.1%
Other Direct Costs	2,885,564	2,951,211	4.5%	65,647	2.3%
Depreciation					
- Collection Vehicles	2,968,038	3,019,471	4.6%	51,433	1.7%
- Containers	1,141,479	1,141,479	1.7%	(0)	0.0%
Total Depreciation	\$ 4,109,517	\$ 4,160,950	6.4%	\$ 51,432	1.3%
Allocated Indirect Costs excluding Depreciation					
General and Administrative	\$ 9,308,830	\$ 9,474,882	14.5%	\$ 166,052	1.8%
Operations	1,871,323	1,900,981	2.9%	29,658	1.6%
Vehicle Maintenance	3,576,540	3,633,226	5.6%	56,686	1.6%
Container Maintenance	1,326,704	1,349,505	2.1%	22,801	1.7%
Total Allocated Indirect Costs excluding Depreciation	\$ 16,083,397	\$ 16,358,593	25.1%	\$ 275,196	1.7%
Total Allocated Indirect Depreciation Costs	114,184	114,184	0.2%	0	0.0%
Annual Implementation Cost Amortization	-	-	0.0%	-	#DIV/0!
Total Annual Cost of Operations	\$ 56,820,574	\$ 57,809,133	88.5%	\$ 988,559	1.7%
Profit	5,964,591	6,068,362	9.3%	103,771	1.7%
Operating Ratio	90.5%	90.5%			
Total Operating Costs	\$ 62,785,165	\$ 63,877,495	97.8%	\$ 1,092,330	1.7%
Contractor Pass-Through Costs					
Interest Expense	\$ 1,114,088	\$ 1,127,286	1.7%	\$ 13,198	1.2%
Interest Expense on Implementation Cost	-	-	0.0%	-	#DIV/0!
Contract Changes to Specific Agencies	-	229,874	0.4%	229,874	#DIV/0!
Total Contractor Pass-Through Costs	1,114,088	1,357,160	2.1%	243,072	21.8%
BASE CONTRACTOR'S COMPENSATION	\$ 63,899,253	\$ 65,234,655	99.9%	\$ 1,335,403	2.1%
Other Adjustments					
Performance Incentives / Disincentives	157,678	49,971	0.1%	(107,707)	68.3%
Total Other Adjustments	157,678	49,971	0.1%	(107,707)	68.3%
TOTAL CONTRACTOR'S COMPENSATION	\$ 64,056,931	\$ 65,284,626	100.0%	\$ 1,227,696	1.9%
CONTRACTOR'S COMPENSATION (Excl COVID-19)	\$ 64,056,931	\$ 65,054,752	100.0%	\$ 997,822	1.6%

Table 4 below denotes the total cost adjustment by Member Agency (excluding Recology’s Request for COVID-19 compensation and excluding 2020 Incentive/Disincentive). Note: The City of Belmont has a unique compensation methodology. As of this writing, Belmont’s 2022 compensation to Recology is not available and therefore excluded from **Table 4**.

**Table 4
Results of Cost Adjustments**

2022 Total by Member Agency	Final Approved 2021 Compensation	BIC Route	BIC Route %	CPI Adjustment	CPI %	Service Level Adjustment (SLA)	Service Level Adjustment %	Total Compensation Including BIC Route, CPI, SLA. Excluding Incentive/Disincentive	Total %
Burlingame	6,395,164	43,894	0.69%	68,605	1.07%	(143,871)	-2.25%	6,363,792	-0.49%
East Palo Alto	2,772,345	35,830	1.29%	29,443	1.06%	10,998	0.40%	2,848,616	2.75%
Foster City	3,952,237	41,491	1.05%	41,699	1.06%	(30,505)	-0.77%	4,004,922	1.33%
Hillsborough	2,047,304	17,238	0.84%	19,820	0.97%	(5,349)	-0.26%	2,079,013	1.55%
Menlo Park	6,878,654	45,799	0.67%	70,855	1.03%	(110,932)	-1.61%	6,884,376	0.08%
Redwood City	11,668,025	118,521	1.02%	123,297	1.06%	21,562	0.18%	11,931,405	2.26%
San Carlos	5,894,847	54,682	0.93%	61,633	1.05%	9,470	0.16%	6,020,632	2.13%
San Mateo	14,592,828	165,639	1.14%	154,856	1.06%	10,679	0.07%	14,924,002	2.27%
West Bay Sanitary Dist	1,106,508	12,121	1.10%	11,217	1.01%	1,003	0.09%	1,130,849	2.20%
Unincorporated County	2,468,225	30,437	1.23%	25,492	1.03%	619	0.03%	2,524,773	2.29%
North Fair Oaks	2,017,978	20,202	1.00%	20,890	1.04%	28,219	1.40%	2,087,289	3.43%

3.C Recommended Adjustment to Recology’s Compensation for 2022

Based on the net results of the compensation adjustments previously described and the analysis of the 2022 Recology Compensation Application, SBWMA is recommending that the SBWMA Board approve an adjustment to Recology's 2022 compensation as delineated in **Table 5 – Comparison of 2021 and 2022 Compensation**. The total adjustment to Recology's contractor’s compensation is a 1.6% increase. Note that **Table 5** Below includes The City of Belmont’s calculated compensation for ease of reconciling. Once The City of Belmont’s actual 2022 compensation is available subsequent reports and all tables within will be updated.

**Table 5
Comparison of 2021 and 2022 Compensation**

RECOLOGY COMPENSATION SUMMARY	2021 Cost	2022 Cost	\$ Change	% Change
Total Annual Cost of Operations	\$ 56,820,574	\$ 57,809,133	\$ 988,559	1.7%
Profit	5,964,590	6,068,362	103,772	1.7%
Operating Ratio	90.5%	90.5%		
Total Operating Costs	\$ 62,785,164	\$ 63,877,495	\$ 1,092,331	1.7%
Contractor Pass-Through Costs				
Interest Expense ¹	\$ 1,114,088	\$ 1,127,286	\$ 13,198	1.2%
Interest Expense on Implementation Cost	-	-	-	
Contract Changes to Specific Agencies ²	-	229,874	229,874	
Total Contractor Pass-Through Costs	\$ 1,114,088	\$ 1,357,160	\$ 243,072	21.8%
BASE CONTRACTOR'S COMPENSATION	\$ 63,899,252	\$ 65,234,655	\$ 1,335,403	2.1%
Other Adjustments				
Performance Incentives / Disincentives	\$ 157,678	\$ 49,971	\$ (107,707)	68.3%
Total Other Adjustments	\$ 157,678	\$ 49,971	\$ (107,707)	68.3%
TOTAL CONTRACTOR'S COMPENSATION	\$ 64,056,930	\$ 65,284,626	\$ 1,227,696	1.9%
CONTRACTOR'S COMPENSATION (Excl COVID-19)	64,056,930	65,054,752	997,822	1.6%
¹ Interest expense is per the negotiated Restated and Amended Franchise Agreements				
² COVID-19 Special Compensation Request				

3.D Recology Cost Allocation Process by Member Agency

Cost allocations by Member Agency have been abolished in the Restated and Amended Franchise Agreements.

3.E Recology's Total Compensation by Member Agency

The Contractors Total Compensation by Member Agency is provided in **Table 6 – Member Agency Cost**. The cost by line of business (Residential, Commercial/MFD and Agency Facility) for each Member Agency is found in Recology's Compensation Application as Appendix 3. The City of Belmont's compensation to Recology is excluded from **Table 6**. Once The City of Belmont's actual 2022 compensation is available subsequent reports and all tables within will be updated.

Table 6 – Member Agency Cost

	Compensation 2022	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	County Franchised Area
Annual Cost of Operations												
Direct Labor-Related Costs												
Wages for CBAs	\$19,816,071	\$1,987,452	\$828,339	\$1,200,324	\$643,409	\$2,065,227	\$653,762	\$3,624,536	\$1,790,916	\$4,612,223	\$342,868	\$761,037
Benefits for CBAs	\$9,057,453	\$895,119	\$383,399	\$547,922	\$300,258	\$932,136	\$301,175	\$1,660,444	\$814,814	\$2,107,475	\$158,657	\$355,625
Payroll Taxes	\$1,605,102	\$160,984	\$67,095	\$97,226	\$52,116	\$167,283	\$52,955	\$293,587	\$145,064	\$373,590	\$27,772	\$61,644
Workers Compensation Insurance	\$1,420,115	\$142,175	\$59,487	\$86,064	\$46,067	\$147,741	\$46,844	\$259,791	\$128,315	\$330,780	\$24,587	\$54,621
Total Direct Labor Related-Costs	\$31,898,740	\$3,185,731	\$1,338,320	\$1,931,536	\$1,041,850	\$3,312,388	\$1,054,735	\$5,838,359	\$2,879,109	\$7,424,068	\$553,884	\$1,232,926
Direct Fuel Costs	\$2,325,454	\$219,101	\$103,261	\$143,561	\$83,996	\$260,258	\$76,756	\$427,826	\$221,811	\$529,663	\$43,057	\$93,132
Other Direct Costs	\$2,951,211	\$282,473	\$127,880	\$179,577	\$101,098	\$329,098	\$95,060	\$536,952	\$277,252	\$666,884	\$52,310	\$113,082
Depreciation												
- Collection Vehicles	\$3,019,471	\$290,312	\$130,338	\$187,578	\$111,875	\$335,995	\$94,287	\$544,769	\$284,647	\$667,188	\$55,161	\$120,503
- Containers	\$1,141,479	\$102,553	\$52,636	\$73,460	\$37,043	\$113,697	\$36,566	\$209,708	\$105,767	\$258,681	\$22,873	\$51,406
Total Depreciation	\$4,160,950	\$392,865	\$182,974	\$261,038	\$148,918	\$449,692	\$130,853	\$754,477	\$390,414	\$925,869	\$78,034	\$171,909
Allocated Indirect Costs												
General and Administrative	\$9,474,882	\$895,859	\$476,497	\$594,565	\$225,154	\$988,416	\$288,789	\$1,804,140	\$917,873	\$2,179,877	\$151,461	\$361,182
Operations	\$1,900,981	\$186,538	\$80,443	\$121,302	\$71,639	\$211,689	\$57,219	\$337,742	\$181,735	\$418,063	\$35,189	\$75,045
Vehicle Maintenance	\$3,633,226	\$356,517	\$153,745	\$231,836	\$136,920	\$404,589	\$109,360	\$645,506	\$347,338	\$799,016	\$67,255	\$143,429
Container Maintenance	\$1,349,505	\$129,625	\$65,445	\$89,147	\$34,335	\$148,898	\$40,573	\$247,130	\$126,208	\$309,619	\$22,162	\$50,303
Total Allocated Indirect Costs	\$16,358,593	\$1,568,540	\$776,130	\$1,036,850	\$468,048	\$1,753,592	\$495,942	\$3,034,518	\$1,573,154	\$3,706,574	\$276,067	\$629,959
Total Allocated Indirect Depreciation Costs	\$114,184	\$11,716	\$4,851	\$7,246	\$4,301	\$12,856	\$3,323	\$20,229	\$10,754	\$24,940	\$2,084	\$4,476
Annual Implementation Cost Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Annual Cost of Operations	\$57,809,133	\$5,660,426	\$2,533,415	\$3,559,807	\$1,848,211	\$6,117,884	\$1,856,669	\$10,612,362	\$5,352,494	\$13,277,997	\$1,005,436	\$2,245,485
Profit	\$6,068,362	\$594,188	\$265,939	\$373,681	\$194,011	\$642,209	\$194,899	\$1,114,005	\$561,864	\$1,393,823	\$105,543	\$235,714
Operating Ratio	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%
Total Operating Cost	\$63,877,495	\$6,254,614	\$2,799,354	\$3,933,489	\$2,042,222	\$6,760,093	\$2,051,568	\$11,726,367	\$5,914,358	\$14,671,820	\$1,110,979	\$2,481,198
Contractor Pass-Through Costs												
Interest Expense	\$1,127,286	\$109,178	\$49,263	\$71,433	\$36,791	\$124,283	\$35,721	\$205,038	\$106,275	\$252,182	\$19,870	\$43,574
Contract Changes to Specific Agencies	\$229,874	\$22,508	\$10,074	\$14,155	\$7,349	\$24,327	\$7,383	\$42,199	\$21,284	\$52,799	\$3,998	\$8,929
BASE CONTRACTOR'S COMPENSATION	\$65,234,655	\$6,386,300	\$2,858,690	\$4,019,077	\$2,086,362	\$6,908,703	\$2,094,672	\$11,973,604	\$6,041,916	\$14,976,801	\$1,134,847	\$2,533,702
Incentives and Disincentives	\$49,971	\$7,156	\$3,348	\$2,968	\$802	\$4,486	\$1,758	\$10,712	\$3,428	\$11,699	\$422	\$1,071
Total Contractor Adjustments	\$49,971	\$7,156	\$3,348	\$2,968	\$802	\$4,486	\$1,758	\$10,712	\$3,428	\$11,699	\$422	\$1,071
TOTAL CONTRACTOR'S COMPENSATION	\$65,284,626	\$6,393,456	\$2,862,038	\$4,022,045	\$2,087,164	\$6,913,189	\$2,096,430	\$11,984,316	\$6,045,345	\$14,988,500	\$1,135,269	\$2,534,773
Prior Year's Surplus/Shortfall to/from Recology												
Revenue Reconciliation 2020 (Surplus)/Shortfall	(\$2,808,079)	\$0	(\$79,221)	(\$365,083)	(\$276,148)	\$84,890	(\$414,481)	(\$1,047,452)	(\$738,906)	\$308,256	(\$211,130)	(\$68,804)
Interest on 2020 (Surplus)/Shortfall	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub-Total	(\$2,808,079)	\$0	(\$79,221)	(\$365,083)	(\$276,148)	\$84,890	(\$414,481)	(\$1,047,452)	(\$738,906)	\$308,256	(\$211,130)	(\$68,804)
TOTAL BALANCE TO CONTRACTOR 2022	\$62,476,547	\$6,393,456	\$2,782,817	\$3,656,962	\$1,811,016	\$6,998,079	\$1,681,949	\$10,936,864	\$5,306,439	\$15,296,756	\$924,138	\$2,465,968
BALANCE TO CONTRACTOR 2022 (excl COVID)	\$62,246,673	\$6,370,948	\$2,772,743	\$3,642,807	\$1,803,666	\$6,973,751	\$1,674,566	\$10,894,665	\$5,285,155	\$15,243,957	\$920,140	\$2,457,039

SECTION 4 2022 MEMBER AGENCY REVENUE REQUIREMENT OBLIGATIONS

4.A Components of Member Agency Revenue Requirement

The compensation to Recology for 2022 collection service is only one of several components that make up the total collection cost (i.e., revenue requirement) reflected in the Member Agency’s solid waste collection rates. In addition to the Recology compensation for collection service, there are pass-through costs (discussed below) that are also included in the Member Agency’s Revenue Requirement (see **Table 8 – Total Collection Rate Adjustment**).

4.B Pass-Through Costs

The pass-through costs are the following:

1. Disposal and processing expense – Disposal and processing expenses are based on projected tonnage and estimated 2022 tip fees at the Shoreway Environmental Center. Tonnage assumptions were provided to Member Agencies on July 23 for review.
2. Franchise fee – Franchise and other Member Agency fees and programs. Fee assumptions used for 2022 were provided by Member Agencies on July 23.

4.C Cost Variance from 2021 to 2022

The variance in Total Revenue Requirement from 2021 to 2022 is shown in **Table 7** by cost category and the rate impact of each change. Note that **Table 7** Below includes The City of Belmont’s calculation for ease of reconciling. Once The City of Belmont’s actual 2022 compensation is available subsequent reports and all tables within will be updated.

**Table 7
Recology and Other Pass-Through Costs Variance and Rate Adjustment**

COLLECTION RATE VARIANCE ANALYSIS <small>estimated 8/10/2021</small>	SBWMA TOTAL				
	2022 Variance				
	2021 Estimated	2022 Estimated	2022 vs. 2021 Change	2022 vs. 2021 %	% Rate Impact
Estimated Revenue (Before Rate Increase)		\$109,802,050			
Projected Collection Revenue (After Rate Increase)	\$109,681,362				
Total Contractor's Compensation					
Base Compensation	\$63,899,249	\$65,004,781	\$1,105,532	1.7%	1.0%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	\$150,830	\$49,971	(\$100,859)	-66.9%	-0.1%
Total Contractor's Compensation	\$64,050,079	\$65,054,752	\$1,004,674	1.6%	0.9%
Other Pass-Through Costs					
Disposal & Processing Fees	\$33,119,301	\$33,748,769	\$629,468	1.9%	0.6%
Agency Franchise & Other Fees	\$15,727,758	\$16,057,912	\$330,154	2.1%	0.3%
Subtotal Other Pass-Through Costs	\$48,847,059	\$49,806,681	\$959,622	2.0%	0.9%
TOTAL REVENUE REQUIREMENT	\$112,897,138	\$114,861,433	\$1,964,295	1.7%	1.8%
2021 Estimated Surplus / <Shortfall>	(\$3,215,776)				
2022 Estimated Surplus / <Shortfall>		(\$5,059,382)			
Required Revenue Adjustment		4.6%			4.6%
<small>All numbers above are current estimates except 2021 Contractor's (Recology) Compensation which is final and 2022 Contractor's Compensation which is subject to Board Approval.</small>					

4.D Total Recommended Rate Adjustment

The SBWMA is responsible for compiling all the components that make up the recommended rate adjustment for 2022 and are summarized in **Table 8**. The amounts shown in Table 8 reflect estimated balances at December 31, 2022 before any 2022 Member Agency solid waste rate adjustments are applied. The purpose of this table is to assist Member Agencies with determining their rate adjustment(s) for 2022. The Total Rate Adjustment Percentage (line **F.3**) is derived from comparing the 2022 base revenue at 2021 rates on line **A.1** to the total cumulative revenue requirement (line **F.1**) which in total results in a shortfall balance (line **F.2**) and the recommended rate adjustment (line **F.3**). All prior year's surplus/shortfall balances are net of payments to/from Member Agencies and Recology. The following provides an explanation of the sections in **Table 8**. The City of Belmont's compensation to Recology is excluded from **Table 8**. Once The City of Belmont's actual 2022 compensation is available this **Draft** Report and all tables within will be updated.

- **Section A** – This section provides the estimated 2022 Collection Revenue using 2021 rates (**A.1**), the 2022 Total Recology Compensation (**A.2**) and Pass-Through Expenses (**A.6**) used to determine the 2022 Revenue Requirement (**A.7**), the estimated 2022 Surplus/Shortfall balance with Recology (**A.8**), Agency Fees on shortfalls (**A.9**), and the Rate Adjustment Percentage (**A.10**).
- **Section B** – This section provides the results of the 2020 Recology Revenue Reconciliation surplus/shortfall, including 2018 close out, that must be added to the 2022 rate adjustment.
- **Section C** – This section provides the 2022 Calculated Rate Adjustment which is the sum of sections A and B.
- **Section D** – This section provides the “2021 Estimated Surplus/Shortfall” balance with Recology (**D.1**), the final 2019 surplus/shortfall (**D.2**) and the associated Agency Fees on any net estimated shortfall (**D.4**).
- **Section E** – This section includes Member Agency Specific adjustments with Recology.
- **Section F** – This section provides the “Cumulative Revenue Requirement” (**F.1**) and the cumulative surplus (**F.2**) which includes the results of Sections C, 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.**
- **Staff is additionally providing Table 9. Table 9 includes estimated 2022 SB1383 compensation to Recology and estimated rate impact, which is derived from a compensation proposal being negotiated between the SBWMA and Recology. The proposal utilizes the Service Level Adjustment Compensation Adjustment mechanism with projected additional organics lifts associated with the rollout of organics containers. The projected 2022 additional lifts represent a partial rollout that Recology expects to be completed by April of 2022.**

Table 8 – Total Collection Rate Adjustment (Part 1 of 2)

SBWMA								
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY								
<i>as of 08/10/2021</i>								
2022 Rate Year								
	Belmont *	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park		
A. 2022 RATE YEAR								
A.1	2022 Collection Revenue @ 2021 Rates	\$7,403,489	\$11,070,046	\$5,389,157	\$6,316,861	\$3,408,650	\$11,820,629	
A.2	Total Recology Compensation	\$4,105,136	\$6,370,948	\$2,851,964	\$4,007,890	\$2,079,814	\$6,888,861	
A.3	Pass-Through Costs							
A.4	Disposal & Processing Fees	\$1,732,663	\$3,244,890	\$2,174,161	\$2,175,471	\$1,193,349	\$3,652,711	
A.5	Agency Franchise Fees	\$2,051,120	\$1,844,348	\$649,504	\$401,290	\$312,992	\$1,974,727	
A.6	Total Pass-Through Costs	\$3,783,783	\$5,089,239	\$2,823,666	\$2,576,761	\$1,506,341	\$5,627,438	
A.7	2022 Revenue Requirement	\$7,888,919	\$11,460,187	\$5,675,630	\$6,584,650	\$3,586,155	\$12,516,299	
A.8	2022 Surplus/(Shortfall) estimated	(\$485,430)	(\$390,141)	(\$286,473)	(\$267,790)	(\$177,504)	(\$695,670)	
A.9	Agency Fees on A.8 Shortfall		(\$54,620)	(\$27,352)	(\$13,389)	(\$17,750)	(\$94,611)	
A.10	Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)		4.0%	5.8%	4.5%	5.7%	6.7%	
B. 2020 Final Surplus/(Shortfall)								
B.1	Surplus/(Shortfall) 2020 FINAL (incl. Interest)			\$79,221	\$365,083	\$276,148	(\$84,890)	
B.2	Agency Fees on B.1 Shortfall						(\$11,545)	
B.3	Rate Adjustment Percentage (Associated with 2020 Final Surplus/Shortfall)			-1.5%	-5.8%	-8.1%	0.8%	
C. 2022 REQUIRED REVENUE ADJUSTMENT								
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$7,888,919	\$11,514,807	\$5,623,761	\$6,232,957	\$3,327,757	\$12,707,345	
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	(\$485,430)	(\$444,761)	(\$234,604)	\$83,904	\$80,893	(\$886,716)	
C.3	Rate Adjustment Percentage (C.2 / A.1)		4.0%	4.4%	-1.3%	-2.4%	7.5%	
D. 2021 Estimated Surplus/(Shortfall)								
D.1	Surplus/(Shortfall), 2021 estimated		(\$388,011)	(\$177,138)	(\$180,502)	(\$122,155)	(\$631,433)	
D.2	Surplus/(Shortfall) 2019 FINAL (incl. Interest)			\$57,124	\$148,378	\$307,175	\$309,418	
D.3	Net Estimated 2021 Surplus/Shortfall		(\$388,011)	(\$120,014)	(\$32,124)	\$185,020	(\$322,015)	
D.4	Agency Fees on D.3 Estimated Shortfall		(\$54,322)	(\$11,459)	(\$1,606)		(\$43,794)	
D.5	Rate Adjustment Percentage (Associated with 2021 Estimated Surplus/Shortfall)		4.0%	2.4%	0.5%	-5.4%	3.1%	
E. Adjustments								
E.1	Miscellaneous Adjustment/Payment							
F. TOTAL RATE IMPACT								
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$7,888,919	\$11,957,139	\$5,755,234	\$6,266,687	\$3,142,737	\$13,073,154	
F.2	Total Surplus/(Shortfall) (A.1 - F.1)	(\$485,430)	(\$887,093)	(\$366,077)	\$50,174	\$265,914	(\$1,252,525)	
F.3	Total Rate Adjustment Percentage (F.2 / A.1)		6.6%	8.0%	6.8%	-0.8%	-7.8%	10.6%
* The City of Belmont's 2021 Revenue Requirement used here as a placeholder since 2022 revenue requirement has yet to be determined								

Table 8 – Total Collection Rate Adjustment (Part 2 of 2)

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 08/10/2021		2022 Rate Year					
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total	
A. 2022 RATE YEAR							
A.1	2022 Collection Revenue @ 2021 Rates	\$3,218,707	\$21,249,087	\$9,529,785	\$24,833,973	\$1,837,488	\$3,615,765
A.2	Total Recology Compensation	\$2,089,047	\$11,942,117	\$6,024,061	\$14,935,701	\$1,131,270	\$2,525,843
A.3	Pass-Through Costs						
A.4	Disposal & Processing Fees	\$1,083,838	\$6,527,126	\$2,626,054	\$7,612,755	\$538,744	\$1,105,885
A.5	Agency Franchise Fees	\$154,632	\$3,042,005	\$1,298,538	\$4,122,801	\$105,261	\$174,158
A.6	Total Pass-Through Costs	\$1,238,469	\$9,569,131	\$3,924,592	\$11,735,555	\$644,005	\$1,280,044
A.7	2022 Revenue Requirement	\$3,327,516	\$21,511,248	\$9,948,652	\$26,671,256	\$1,775,276	\$3,805,887
A.8	2022 Surplus/(Shortfall) estimated	(\$108,809)	(\$262,162)	(\$418,868)	(\$1,837,283)	\$62,212	(\$190,122)
A.9	Agency Fees on A.8 Shortfall	(\$5,440)	(\$35,785)	(\$50,264)	(\$73,491)		(\$9,506)
A.10	Rate Adjustment Percentage (Associated with 2018 estimated Surplus/Shortfall)	3.5%	1.4%	4.9%	7.7%	-3.4%	5.5%
B. 2020 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2020 FINAL (incl. Interest)	\$414,481	\$1,047,452	\$738,906	(\$308,256)	\$211,130	\$68,804
B.2	Agency Fees on B.1 Shortfall				(\$12,330)		
B.3	Rate Adjustment Percentage (Associated with 2020 Final Surplus/Shortfall)	-12.9%	-4.9%	-7.8%	1.3%	-11.5%	-1.9%
C. 2022 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$2,918,476	\$20,499,582	\$9,260,011	\$27,065,334	\$1,564,146	\$3,746,589
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	\$300,232	\$749,505	\$269,774	(\$2,231,361)	\$273,342	(\$130,824)
C.3	Rate Adjustment Percentage (C.2 / A.1)	-9.3%	-3.5%	-2.8%	9.0%	-14.9%	3.6%
D. 2021 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2021 estimated	\$10,939	\$142,406	(\$369,943)	(\$1,158,458)	\$96,749	(\$87,721)
D.2	Surplus/(Shortfall) 2019 FINAL (incl. Interest)	\$186,576	\$117,943	\$163,382	\$1,382,278	\$136,383	\$421,171
D.3	Net Estimated 2021 Surplus/Shortfall	\$197,515	\$260,349	(\$206,561)	\$223,820	\$233,132	\$333,450
D.4	Agency Fees on D.3 Estimated Shortfall			(\$24,787)			
D.5	Rate Adjustment Percentage (Associated with 2021 Estimated Surplus/Shortfall)	-6.1%	-1.2%	2.4%	-0.9%	-12.7%	-9.2%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$2,720,961	\$20,239,232	\$9,491,359	\$26,841,514	\$1,331,013	\$3,413,140
F.2	Total Surplus/(Shortfall) (A1 - F1)	\$497,747	\$1,009,854	\$38,425	(\$2,007,541)	\$506,474	\$202,626
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-15.5%	-4.8%	-0.4%	8.1%	-27.6%	-5.6%

Table 9 – Total Collection Rate Adjustment with SB1383 (Part 1 of 2)

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY (Including SB1383 Compensation Estimates)							
as of 08/10/2021			2022 Rate Year				
	Belmont *	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	
A. 2022 RATE YEAR							
A.1	2022 Collection Revenue @ 2021 Rates	\$7,403,489	\$11,070,046	\$5,389,157	\$6,316,861	\$3,408,650	\$11,820,629
A.2	Total Recology Compensation	\$4,105,136	\$6,370,948	\$2,851,964	\$4,007,890	\$2,079,814	\$6,888,861
A.3	Pass-Through Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A.4	Disposal & Processing Fees	\$1,732,663	\$3,244,890	\$2,174,161	\$2,175,471	\$1,193,349	\$3,652,711
A.5	Agency Franchise Fees	\$2,051,120	\$1,844,348	\$649,504	\$401,290	\$312,992	\$1,974,727
A.6	Agency Specific Contract Changes						
A.6	Total Pass-Through Costs	\$3,783,783	\$5,089,239	\$2,823,666	\$2,576,761	\$1,506,341	\$5,627,438
A.7	2022 Revenue Requirement	\$7,888,919	\$11,460,187	\$5,675,630	\$6,584,650	\$3,586,155	\$12,516,299
A.8	2022 Surplus/(Shortfall) estimated	(\$485,430)	(\$390,141)	(\$286,473)	(\$267,790)	(\$177,504)	(\$695,670)
A.9	Agency Fees on A.8 Shortfall		(\$54,620)	(\$27,352)	(\$13,389)	(\$17,750)	(\$94,611)
A.10	Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)		4.0%	5.8%	4.5%	5.7%	6.7%
Rate Impact With SB1383 Compensation Estimates							
A.11	SB 1383 Estimates	\$35,543	\$53,302	\$25,930	\$48,382		\$35,949
A.12	Adjusted 2022 Surplus/(Shortfall) estimated	(\$520,973)	(\$498,063)	(\$339,755)	(\$329,562)	(\$195,255)	(\$826,230)
A.13	Adjusted Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)		4.5%	6.3%	5.2%	5.7%	7.0%
F.4	Adjusted Total Rate Adjustment Percentage	7.0%	8.5%	7.3%	0.0%	-7.8%	10.9%

Table 9 – Total Collection Rate Adjustment with SB1383 (Part 2 of 2)

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY (Including SB1383 Compensation Estimates)							
as of 08/10/2021		2022 Rate Year					
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total	
A. 2022 RATE YEAR							
A.1	2022 Collection Revenue @ 2021 Rates	\$3,218,707	\$21,249,087	\$9,529,785	\$24,833,973	\$1,837,488	\$3,615,765
A.2	Total Recology Compensation	\$2,089,047	\$11,942,117	\$6,024,061	\$14,935,701	\$1,131,270	\$2,525,843
A.3	Pass-Through Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A.4	Disposal & Processing Fees	\$1,083,838	\$6,527,126	\$2,626,054	\$7,612,755	\$538,744	\$1,105,885
A.5	Agency Franchise Fees	\$154,632	\$3,042,005	\$1,298,538	\$4,122,801	\$105,261	\$174,158
A.6	Agency Specific Contract Changes						
A.6	Total Pass-Through Costs	\$1,238,469	\$9,569,131	\$3,924,592	\$11,735,555	\$644,005	\$1,280,044
A.7	2022 Revenue Requirement	\$3,327,516	\$21,511,248	\$9,948,652	\$26,671,256	\$1,775,276	\$3,805,887
A.8	2022 Surplus/(Shortfall) estimated	(\$108,809)	(\$262,162)	(\$418,868)	(\$1,837,283)	\$62,212	(\$190,122)
A.9	Agency Fees on A.8 Shortfall	(\$5,440)	(\$35,785)	(\$50,264)	(\$73,491)		(\$9,506)
A.10	Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)	3.5%	1.4%	4.9%	7.7%	-3.4%	5.5%
Rate Impact With SB1383 Compensation Estimates							
A.11	SB 1383 Estimates	\$88,106	\$229,762	\$156,479	\$266,957	\$2,788	\$11,474
A.12	Adjusted 2022 Surplus/(Shortfall) estimated	(\$202,355)	(\$527,709)	(\$625,610)	(\$2,177,731)	\$59,424	(\$211,102)
	Adjusted Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)	6.3%	2.5%	6.6%	8.8%	-3.2%	5.8%
F.4	Adjusted Total Rate Adjustment Percentage	-12.7%	-3.7%	1.2%	9.2%	-27.4%	-5.3%

SECTION 5 CONCLUSION

The SBWMA's review of the 2022 Recology Compensation Application results in the recommendation to increase the 2022 compensation to Recology (i.e., Total Contractor's Compensation) by 1.6% from the approved 2021 compensation, as provided in **Tables 2, 3, 5, 6,7 and 8** of this **Draft** Report, and Tables A, B and E in Recology's Application.

[The SBWMA has also provided an estimate of SB1383 Compensation as provided in Table 9, which is informational only and intended to provide Member Agencies with potential rate impact.](#)

The Member Agency detail report can be found in the Recology Application – Section 4, Attachment N: Cost Adjustment Calculations in Total and by Member Agency.



Agenda Item 4B

Review of the SBWMA DRAFT Report Reviewing the 2022 South Bay Recycling Compensation Application

**No Staff Report – Attachments Only for Discussion at the
September 9, 2021 BOARD/TAC Study Session**

Attachments:

- Attachment A - SBWMA DRAFT Report Reviewing the 2022 South Bay Recycling Compensation Application
- Attachment B – APPENDIX A to the SBR 2022 Compensation Application



SBWMA **DRAFT**
REPORT REVIEWING THE
2021 SOUTH BAY RECYCLING
COMPENSATION APPLICATION

August 18, 2021

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Appendix A – SBR Cost Adjustment Worksheets

SECTION 1. OVERVIEW

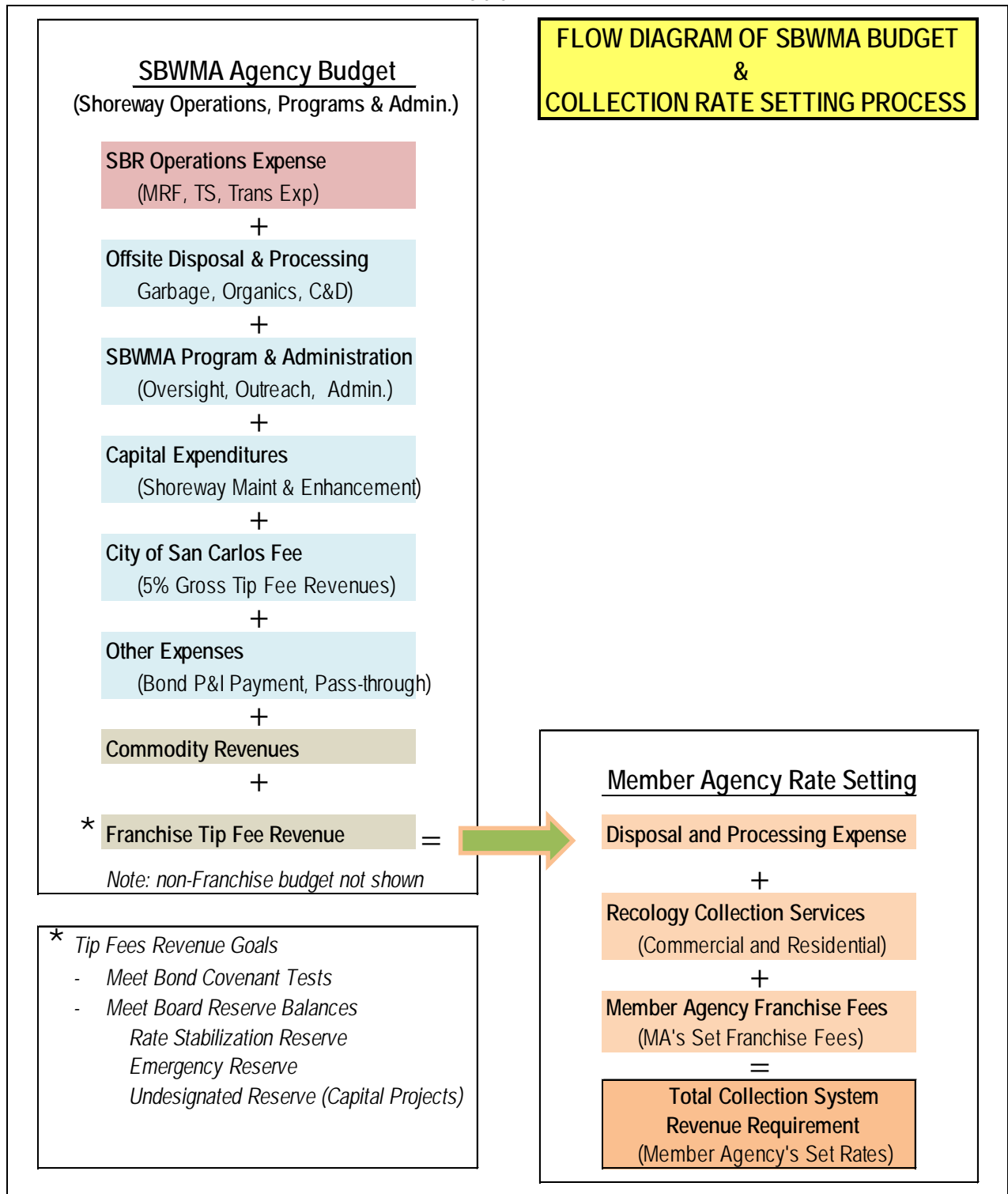
A. Shoreway Operations Agreement Terms

South Bay Recycling, LLC (SBR) was selected as the facility operator in 2009 and is paid on a fee per ton basis for three services: processing materials at the Transfer Station (TS), processing materials at the Materials Recovery Facility (MRF) and transporting materials to the disposal and processing facilities. The Shoreway Operations Agreement (“Agreement”) with SBR prescribes that the SBWMA is responsible for conducting the annual review and analysis of SBR’s compensation application which sets the fees each year. The application is reviewed for completeness, accuracy and that the prescribed compensation adjustment methodology is followed to arrive at the recommended 2022 fees per ton contained in this report. The SBR Compensation Application is also reviewed and approved by the SBWMA Board of Directors.

B. Calculation of Total Collection Revenue Requirement

The approved 2022 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 2022 Shoreway Tip Fees. The 2022 Shoreway Tip Fees are the basis for setting the Shoreway Disposal and Processing expense that becomes part of the total Revenue Requirement for each Member Agency upon which solid waste rates are set for 2022. SBR compensation is approximately 16% of the total Revenue Requirement. These costs are the result of the Shoreway tipping fees charged on the solid waste and organics tons delivered to Shoreway. The Flow Diagram of SBWMA Budget and Collection Rate Setting Process, **Table 1** below, describes this process and relationship.

Table 1



C. Description of SBR Fees and Cost Components

The process for adjusting SBR's compensation is detailed in the Operations Agreement in Article 7.03 and Attachment 13-A of the Agreement. All costs are adjusted based on various US

Department of Labor indices except outside contract workers (VRS), which is partially adjusted based on the San Mateo County's Living Wage Ordinance. Additionally, depreciation is not adjusted.

The fees for the three services 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) (*SBR & VRS contract*)
- 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

The compensation adjustment methodology is the basis for SBR's Rate Application submittal and the SBWMA staff's subsequent review. The compensation adjustment process uses the approved 2021 SBR fees as the basis for the adjustment to the new 2022 fees. As detailed in the Agreement, the adjustment process for the 2022 fees is illustrated in **Table 2** below.

Table 2

SBR ANNUAL COST ADJUSTMENT PROCESS			
BASE COST - 2021		ADJUSTMENT	2022 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	= Annual Interest Expense per Interest Schedule
Other	+	Actual cost reimbursed to Buyback customers	= Actual Cost
Total 2021 Compensation	+	Total Adjustments	= Total 2022 Compensation

E. Commodity Revenue Sharing

A portion of SBR's compensation comes from the sale of commodities through the "Commodity Revenue Share" program where the commodity revenue from the recyclable materials processed at the Shoreway MRF are split between SBWMA and SBR above the Revenue Guarantee of \$4,691,409. The Revenue Share available to SBR is an incentive to maximize recovery and obtain the best commodity sale prices. The current Commodity Revenue Share above the Guarantee is 25% to SBR and 75% to the SBWMA.

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 calendar year of 2022.

SECTION 2. SBR 2022 COMPENSATION APPLICATION

A. Analysis of SBR 2022 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.

The County of San Mateo's Vocational Rehab Services Labor increased the hourly rate of pay from \$17.52 to \$18.00 per hour on July 1, 2021. SBR submitted the 2022 Compensation Application with an increase in the 2021 compensation to account for the VRS Labor increased hourly rate. The impact is a \$0.22 (approximately \$16K) increase per ton over the approved 2021 Compensation. **Table 3** below reflects the VRS increase in the 2021 compensation.

As shown in **Table 3** below, Total Compensation for SBR in 2022 is estimated to be \$19,173,189 which is \$591,756 (3.2%) Higher than in 2021.

Table 3

2021 Costs & Fees vs. 2022 Costs & Fees					
SOUTH BAY RECYCLING	2021		Adjustment	2022	
	Total Cost	Fee/Ton	%	Total Cost	Fee/Ton
Operating Cost					
Transfer Station	\$ 4,992,486	\$ 13.96	2.3%	\$ 5,106,675	\$ 14.28
Recyclable Materials Processing, net of Residue	\$ 6,923,150	\$ 93.53	4.7%	\$ 7,246,029	\$ 97.89
Transportation (cost/ton-mile)	\$ 6,665,796	\$ 1.10	2.3%	\$ 6,820,485	\$ 1.13
Transport (cost/ton)	-	\$ 18.63	2.3%	-	\$ 19.07
Total Operating Cost	\$ 18,581,432		3.2%	\$ 19,173,189	

B. Description of 2022 Compensation Adjustments

Costs in the SBR Compensation Application are adjusted primarily based on changes in indexes. The specific results of the index-based cost adjustments for 2022 are presented in **Table 4** on the following page.

Cost categories are adjusted based on the following criteria:

- **Labor & Benefits Cost** – 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 # cis201s0000000000i)).
- **VRS Labor** – adjusted based on SBR's VRS contract changes with the County of San Mateo. SBR's VRS contract has been extended through December 31, 2021. San Mateo County changed the administration fee calculation to be based on the hourly wage rather than a fixed administration rate of \$11.00. This change drives the 4.7% increase shown in **Table 3**.
- **Power Cost** - adjusted based on the actual change in the blended power rates (PG&E and Solar)

- **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** – adjusted by CPI 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# cuur0000sa).
- **Depreciation Cost** - not adjusted
- **Interest Expense** - based on fixed schedule

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 based primarily on state CRV rates. (SBR's buyback payments to public customers are reimbursed monthly). The Buyback Center was closed in August of 2019.
- Interest expense on allowed capital per a fixed schedule for the ten-year life of the contract on a sliding scale. 2022 is the 12th year of the contract, thus no interest expense applies.

Table 4

Results of Cost Adjustments			
Cost Component	Adjustment	Basis	Description
Labor - (all CBAs)			
Wages & Benefits	2.65%	Index	CBA wages compensation adjustment based on index change.
Worker's Comp Insurance	2.15%	Index	Workers compensation adjustment based on index change.
Payroll Tax	2.65%	Wages & tax rate change	The payroll tax rate changes with any changes in federal or state payroll tax rates.
VRS Labor (non-CBA)	11.35%	Non-Index	Non-CBA (VRS) compensation adjustment based on VRS contract changes with County.
Power	1.26%	PG&E & Solar Rates	Power is adjusted by the blend of actual PG&E electricity rates and the Solar Power rate.
Fuel	1.0%	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	1.20%	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.

SECTION 3. SBR FEE PER TON ADJUSTMENTS FOR 2022

After review of the SBR Compensation Adjustment Application, staff recommends the following Fees (shown in Table 3, prior page) be paid to SBR on a per-ton basis for 2022:

- o **Transfer Station Processing Fee**. The 2022 Transfer Station fee is \$14.28 per ton.
- o **MRF Processing Fee**. The 2022 MRF Processing fee is \$104.13 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 of \$97.89*).
- o **Transportation Fee**. There are multiple transportation fees for each material type and destinations (i.e., solid waste, inerts, construction and demolition, and organics). The average 2022 Transportation Fee is \$1.13 per ton mile which is 2.3% decrease from prior year (the transportation rate detail for each material type and destination are presented in the **Appendix A – SBR Compensation Adjustment Application Worksheets**).

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

A. Summary of Fees

	Base	Year 11		Year 12		
		2021	2022	2021	2022	% Increase
<u>Annual % Change</u>						
TS		-0.08%		2.29%		
MRF		0.49%		4.66%		
Transport		-5.51%		2.32%		
<u>Cost per Ton Fees</u>						
Transfer Station	357,725	\$ 13.96	\$ 14.28			2.29%
MRF (net residue)	74,022	\$ 93.53	\$ 97.89			4.66%
Transportation (cost / ton-mile)		\$ 1.10	\$ 1.13			2.32%
Transportation (cost / ton)		\$ 18.63	\$ 19.07			2.32%
<u>Total Cost Estimate by LOB</u>						
Transfer Station		\$ 4,992,486	\$ 5,106,675			2.29%
MRF (net residue)		\$ 6,923,150	\$ 7,246,029			4.66%
Transportation		\$ 6,665,796	\$ 6,820,485			2.32%
Total Operating Cost		\$ 18,581,432	\$ 19,173,189			3.18%
Total Estimated Compensation		\$ 18,581,432	\$ 19,173,189			3.18%

Detail Transportation Fees

	Year 11		Year 12		
	2021	2022	2021	2022	% Increase
Cost/Ton-Mile					
MSW to OX Mtn.	\$ 1.241	\$ 1.270			2.3%
Inert to OX Mtn.	\$ 1.273	\$ 1.302			2.3%
C&D to Zanker Road	\$ 0.933	\$ 0.954			2.3%
Plant Materials to Newby	\$ 0.751	\$ 0.768			2.3%
Plant Materials to Grover	\$ 0.455	\$ 0.466			2.3%
Organics to Newby	\$ 0.932	\$ 0.954			2.3%
Organics to Grover	\$ 0.509	\$ 0.520			2.3%

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

B. Cost Detail Transfer Station and MRF

TRANSFER STATION

	357,725	Year 11		Year 12	
		% Adjustment	2021 Cost / Ton	% Adjustment	2022 Cost / Ton
Base Tonnage Specified by the SBWMA	357,725				
Direct Labor - CBA					
Wages		2.7%	\$ 5.55	2.7%	\$ 5.70
Benefits		2.7%	\$ 2.82	2.7%	\$ 2.89
W/C		1.8%	\$ 0.74	2.1%	\$ 0.75
PR Tax		2.7%	\$ 0.48	2.7%	\$ 0.50
Total CBA Labor Cost		2.6%	\$ 9.59	2.6%	\$ 9.84
Power		6.2%	\$ 0.91	1.3%	\$ 0.92
Fuel		-16.8%	\$ 0.25	1.0%	\$ 0.26
Depreciation		0.0%	\$ -	0.0%	\$ -
Other O&M		1.4%	\$ 1.88	1.2%	\$ 1.90
Clerical CBA Wages & Benefits		2.7%	\$ 0.42	2.7%	\$ 0.44
Total Operating		-0.1%	\$ 13.05	2.3%	\$ 13.35
Profit		-0.1%	\$ 0.90	2.3%	\$ 0.93
Profit %			6.9%		6.9%
Total Operating Cost		-0.1%	\$ 13.96	2.3%	\$ 14.28

MATERIALS RECOVERY FACILITY (MRF)

	74,022	Year 11		Year 12	
		% Adjustment	2021 Cost / Ton	% Adjustment	2022 Cost / Ton
Base Tonnage Specified by the SBWMA	74,022				
Direct Labor - CBA					
Wages		2.7%	\$ 20.89	2.7%	\$ 21.45
Benefits		2.7%	\$ 11.07	2.7%	\$ 11.36
W/C		1.8%	\$ 2.92	2.1%	\$ 2.98
PR Tax		2.7%	\$ 2.01	2.7%	\$ 2.06
Total CBA Labor Cost		2.6%	\$ 36.89	2.6%	\$ 37.85
Non-CBA Wages		3.8%	\$ 24.19	11.3%	\$ 26.94
Power		6.2%	\$ 5.28	1.3%	\$ 5.35
Fuel		-16.8%	\$ 0.55	1.0%	\$ 0.55
Depreciation		-100.0%	\$ -	0.0%	\$ -
Other O&M		1.4%	\$ 17.89	1.2%	\$ 18.10
Clerical CBA Wages & Benefits		2.7%	\$ 2.05	2.7%	\$ 2.11
Total Operating		0.5%	\$ 86.86	4.7%	\$ 90.91
Profit		0.5%	\$ 6.67	4.7%	\$ 6.98
Profit %			7.7%		7.7%
Total Operating Cost		0.5%	\$ 93.53	4.7%	\$ 97.89

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Appendix A Appendix A - SBR 2022 Compensation Adjustment Applicationv2

8/17/2021

B. Cost Detail TS & MRF

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SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

C. Cost Detail - Transportation

		Year 11		Year 12	
		%	2021	%	2022
Base Tonnage		Adjustment	Cost / Ton Mile	Adjustment	Cost / Ton Mile
Solid Waste Transport Fee - Ox Mtn.	260,801	-5.6%	\$ 1.241	2.3%	\$ 1.270
Inert Transport Fee - Ox Mtn.	6,317	-5.6%	\$ 1.273	2.3%	\$ 1.302
C&D Transport Fee - Zanker rd.	18,918	-4.7%	\$ 0.933	2.3%	\$ 0.954
Plant Matls Trans Fee - Newby	30,747	-5.0%	\$ 0.751	2.3%	\$ 0.768
Plant Matls Trans Fee - Grover	30,747	-6.0%	\$ 0.455	2.3%	\$ 0.466
Organic Matl Trans Fee - Newby	5,098	-3.8%	\$ 0.932	2.3%	\$ 0.954
Organic Matl Trans Fee - Grover	5,098	-6.0%	\$ 0.509	2.3%	\$ 0.520
Organic Matl Trans Fee - BioFuel		-4.9%	\$ 0.612	2.3%	\$ 0.626
Plant Matls Trans Fee - Zanker		-4.9%	\$ 0.751	2.3%	\$ 0.768
Blended Total	357,725	-5.5%	\$ 1.101	2.3%	\$ 1.126
Total Operating Cost			\$ 6,665,796		\$ 6,820,485
Cost / Ton			\$ 18.63		\$ 19.07
Total Cost Increase %			-5.5%		2.3%

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

D. Compensation Adjustment - Transfer Station

	Year 11		Year 12		Increase
	2021	2022	2021	2022	
	Cost / Ton		Cost / Ton		
357,725.0					
Direct Labor - CBA					
Wages	\$ 5.55	\$ 5.70			2.65%
Benefits	\$ 2.82	\$ 2.89			2.65%
W/C	\$ 0.74	\$ 0.75			2.15%
PR Tax	\$ 0.48	\$ 0.50			2.65%
Total CBA Labor Cost	\$ 9.59	\$ 9.84			2.61%
Power	\$ 0.91	\$ 0.92			1.26%
Fuel	\$ 0.25	\$ 0.26			0.99%
Depreciation	\$ -	\$ -			0.00%
Other O&M	\$ 1.88	\$ 1.90			1.20%
Clerical CBA Wages & Benefits	\$ 0.42	\$ 0.44			2.65%
Total Operating	\$ 13.05	\$ 13.35			2.29%
Profit	\$ 0.90	\$ 0.93			2.29%
Profit %	6.9%	6.9%			0.00%
Total Operating Cost	\$ 13.96	\$ 14.28			2.29%
% Increase	-0.08%	2.29%			
Total Cost Estimate	\$ 4,992,486	\$ 5,106,675			2.29%

PERCENTAGE CHANGE IN COSTS

Labor Cost Component Adjustment Factors

Wages for Direct Labor

Updated direct labor cost per ton

\$ 5.55	\$ 5.70
1.027	1.027
2.69%	2.65%

Adjustment Factor for Wages Direct Labor

% Increase

Benefits for Direct Labor

Updated annual benefit cost per ton

\$ 2.82	\$ 2.89
1.027	1.027
2.69%	2.65%

Adjustment Factor for Benefits

% Increase

One Time True Up (Rate Year 2015)

Workers Compensation Insurance for Direct Labor

Updated annual benefit cost per ton

\$ 0.74	\$ 0.75
1.018	1.021

Adjustment Factor

Payroll Taxes for Direct Labor

Updated Paryoll Tax cost per Ton

\$ 0.48	\$ 0.50
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SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

D. Compensation Adjustment - Transfer Station

	Year 11	Year 12
357,725.0	2021	2022
	Cost / Ton	Cost / Ton
Adjustment Factor for payroll taxes shall equal the change	8.70%	8.70%
Federal Social Security & Medicare Tax Cost	7.65%	7.65%
Adjustment Factor	1.000	1.000
Power Adjustment		
Updated Power cost per ton	\$ 0.91	\$ 0.92
Adjustment Factor	1.062	1.013
Fuel Adjustment		
Updated Fuel cost per ton	\$ 0.25	\$ 0.26
Adjustment Factor	0.832	1.010
Depreciation		
Updated Depreciation cost per ton	\$ -	\$ -
Adjustment Factor (No adjustment after Year 1)	1.000	1.000
Other Operating & Maintenance		
Updated Other cost per ton	\$ 1.88	\$ 1.90
Adjustment Factor @ 80% of Index	1.014	1.012

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

E. Compensation Adjustment - Materials Recovery Facility (MRF)

	Year 11	Year 12	
	2021	2022	
	Cost / Ton	Cost / Ton	Increase
	74,022		
Direct Labor - CBA			
Wages	\$ 20.89	\$ 21.45	2.65%
Benefits	\$ 11.07	\$ 11.36	2.65%
Workers Comp	\$ 2.92	\$ 2.98	2.15%
PR Tax	\$ 2.01	\$ 2.06	2.65%
Total CBA Labor Cost	\$ 36.89	\$ 37.85	2.61%
Third Party Wages & Benefits (VRS)	\$ 24.19	\$ 26.94	11.35%
Power	\$ 5.28	\$ 5.35	1.26%
Fuel	\$ 0.55	\$ 0.55	0.99%
Depreciation	\$ -	\$ -	0.00%
Other O&M	\$ 17.89	\$ 18.10	1.20%
Clerical CBA Wages & Benefits	\$ 2.05	\$ 2.11	2.65%
Total Operating	\$ 86.86	\$ 90.91	4.66%
Profit	\$ 6.67	\$ 6.98	4.66%
Profit %	7.7%	7.7%	0.00%
Total Operating Cost Per Ton (excluding residue)	\$ 93.53	\$ 97.89	4.66%
% Increase	0.49%	4.66%	
Total Estimated Operator Cost (excluding residue)	\$ 6,923,150	\$ 7,246,029	4.66%
MRF Residue Paid by SBR			
MRF Residue Tons	6,800	6,800	
Disposal Tip Fee @ Ox Mtn.	\$ 53.64	\$ 56.32	5.00%
Disposal Fees	\$ 4.93	\$ 5.17	5.00%
Transfer & Haul	\$ 1.04	\$ 1.07	2.33%
Total MRF Residue expense	\$ 5.97	\$ 6.24	4.53%
Total Cost with MRF Residue	\$ 99.50	\$ 104.13	4.66%

PERCENTAGE CHANGE IN COSTS

Labor Cost Component Adjustment Factors

Updated annual labor for direct labor

Adjustment Factor

% Increase

\$ 20.89	\$ 21.45
1.027	1.027
2.69%	2.65%

Benefits for Direct Labor

Updated annual benefit cost per ton

Adjustment Factor

% Increase

\$ 11.07	\$ 11.36
1.027	1.027
2.69%	2.65%

One Time True Up (Rate Year 2015)

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

E. Compensation Adjustment - Materials Recovery Facility (MRF)

	Year 11	Year 12
	2021	2022
	Cost / Ton	Cost / Ton
74,022		
Workers Compensation Insurance for Direct Labor		
Updated annual benefit Costs	\$ 2.92	\$ 2.98
Adjustment Factor	1.018	1.021
Payroll Taxes for Direct Labor		
Updated Payroll Tax cost per ton	\$ 2.01	\$ 2.06
Total Payroll Tax Rate %	9.61%	9.61%
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	\$ 24.19	\$ 26.94
Adjustment		
Adjustment Factor		
Power Adjustment		
Updated Power cost per ton	\$ 5.28	\$ 5.35
Adjustment Factor	1.062	1.013
<i>blend of PGE rate and solar rate</i>		
Fuel Adjustment		
Updated Fuel Costs	\$ 0.55	\$ 0.55
Adjustment Factor	0.832	1.010
Depreciation		
Updated Depr cost per ton	\$ -	\$ -
Adjustment Factor (No adjustment after Year 1)	1.00	1.00
Other Operating & Maintenance		
Updated Other cost per ton	\$ 17.89	\$ 18.10
Adjustment Factor @ 80% of Index	1.014	1.012
% Change in underlying index	1.79%	1.50%
MRF Load Contamination	\$ 35.18	\$ 36.82
Plant Materials & Organics Contamination	\$ 9.85	\$ 10.31

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

F. Compensation Adjustment - Transportation

	Year 11		Year 12	
	2021		2022	
	Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile
Solid Waste Transport Fee - Ox Mtn.	-5.6%	\$ 1.24	2.3%	\$ 1.27
Inert Transport Fee - Ox Mtn.	-5.6%	\$ 1.27	2.3%	\$ 1.30
C&D Transport Fee - Zanker	-4.7%	\$ 0.93	2.3%	\$ 0.95
Plant Matls Trans Fee - Newby	-5.0%	\$ 0.75	2.3%	\$ 0.77
Plant Matls Trans Fee - Grover	-6.0%	\$ 0.46	2.3%	\$ 0.47
Organic Matl Trans Fee - Newby	-3.8%	\$ 0.93	2.3%	\$ 0.95
Organic Matl Trans Fee - Grover	-6.0%	\$ 0.51	2.3%	\$ 0.52
Biomass Trans Fee - Biofuel		\$ 0.61		\$ 0.63
Plant Matls Trans Fee - Zanker		\$ 0.75		\$ 0.77
Blended Total	-5.5%	\$ 1.10	2.3%	\$ 1.13
Total Cost Estimate		\$ 6,665,796		\$ 6,820,485
Cost / Ton		\$ 18.63		\$ 19.07
Total Cost Increase %		-5.5%		2.3%

Direct Labor Component for All Transport Fees

Wages for CBA Labor	1.027	\$ 1,850,817	1.027	\$ 1,899,927
Benefits for CBA Labor	1.027	\$ 790,189	1.027	\$ 811,156
WC Insurance	1.018	\$ 193,672	1.021	\$ 197,836
Payroll Taxes	1.000	\$ 156,584	1.000	\$ 160,739
Total Cost Estimate (SW to Ox)	1.0263	\$ 2,991,262	1.0262	\$ 3,069,658
Cost/Ton		\$ 11.47		\$ 11.77
Adjusted Labor for MSW Transport Fee (cost/ton-mile)	1.026	\$ 0.882	1.026	\$ 0.905

Solid Waste Transport Fee (OX)

Labor component	1.026	\$ 0.8822	1.026	\$ 0.9053
Fuel	0.832	\$ 0.0424	1.010	\$ 0.0428
Depreciation	1.000	\$ -	1.000	\$ -
Other O&M Component	1.014	\$ 0.1891	1.012	\$ 0.1914
Clerical CBA wages & benefits	1.027	\$ 0.0290	1.027	\$ 0.0298
Total Operating Cost		\$ 1.1427		\$ 1.1693
Profit per Operating Ratio		\$ 0.0980		\$ 0.1003
Total SW Transportation Fee	-5.6%	\$ 1.24075	2.3%	\$ 1.26961

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

F. Compensation Adjustment - Transportation

	Year 11		Year 12	
	2021		2022	
	Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile
Inert Transport Fee - OX Mtn.				
Labor component	1.026	\$ 0.841	1.026	\$ 0.863
Fuel	0.832	\$ 0.047	1.010	\$ 0.047
Depreciation	1.000	\$ -	1.000	\$ -
Other O&M Component	1.014	\$ 0.238	1.012	\$ 0.240
Clerical CBA wages & benefits				
Clerical CBA wages & benefits	1.027	\$ 0.037	1.027	\$ 0.038
Total Operating Cost		\$ 1.162		\$ 1.189
Profit per Operating Ratio		\$ 0.111		\$ 0.113
Total Inert Transportation Fee	-5.6%	\$ 1.273	2.3%	\$ 1.302

C&D Transport Fee - Zanker Road

Labor component	1.026	\$ 0.6618	1.026	\$ 0.6792
Fuel	0.832	\$ 0.0430	1.010	\$ 0.0435
Depreciation	1.000	\$ -	-	\$ -
Other O&M Component	1.014	\$ 0.1295	1.012	\$ 0.1311
Clerical CBA wages & benefits	1.027	\$ 0.0199	1.027	\$ 0.0204
Total Operating Cost		\$ 0.8543		\$ 0.8741
Profit per Operating Ratio		\$ 0.0783		\$ 0.0802
Total C&D Transportation Fee	-4.7%	\$ 0.93262	2.3%	\$ 0.95429

Plant Materials Transport Fee - Newby Is

Labor component	1.026	\$ 0.5205	1.026	\$ 0.5341
Fuel	0.832	\$ 0.0359	1.010	\$ 0.0363
Depreciation	1.000	\$ -	-	\$ -
Other O&M Component	1.014	\$ 0.1155	1.012	\$ 0.1168
Clerical CBA wages & benefits	1.027	\$ 0.0177	1.027	\$ 0.0182
Total Operating Cost		\$ 0.6896		\$ 0.7054
Profit per Operating Ratio		\$ 0.0616		\$ 0.0630
Total Plant Material Transportation Fee	-5.0%	\$ 0.75118	2.3%	\$ 0.76845

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

F. Compensation Adjustment - Transportation

Year 11		Year 12	
2021		2022	
Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile

Plant Materials Transport Fee - Grover			
Labor component	1.026	\$ 0.3090	1.026 \$ 0.3171
Fuel	0.832	\$ 0.0359	1.010 \$ 0.0362
Depreciation	1.000	\$ -	- \$ -
Other O&M Component	1.014	\$ 0.0633	1.012 \$ 0.0640
Clerical CBA wages & benefits	1.027	\$ 0.0097	1.027 \$ 0.0100
Total Operating Cost		\$ 0.4179	\$ 0.4274
Profit per Operating Ratio		\$ 0.0373	\$ 0.0382
Total Plant Material Transportation Fee	-6.0%	\$ 0.45526	2.3% \$ 0.46557

Organic Material Transport Fee - Newby Is			
Labor component	1.026	\$ 0.6506	1.026 \$ 0.6676
Fuel	0.832	\$ 0.0394	1.010 \$ 0.0398
Depreciation	1.000	\$ -	- \$ -
Other O&M Component	1.014	\$ 0.1250	1.012 \$ 0.1265
Clerical CBA wages & benefits	1.027	\$ 0.0192	1.027 \$ 0.0197
Total Operating Cost		\$ 0.8342	\$ 0.8537
Profit per Operating Ratio		\$ 0.0979	\$ 0.1002
Total Organic Material Transportation Fee	-3.8%	\$ 0.93212	2.3% \$ 0.95385

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

F. Compensation Adjustment - Transportation

	Year 11		Year 12	
	2021		2022	
	Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile
Organic Material Transport Fee - Grover				
Labor component	1.026	\$ 0.3368	1.026	\$ 0.3456
Fuel	0.832	\$ 0.0391	1.010	\$ 0.0395
Depreciation	1.000	\$ -	-	\$ -
Other O&M Component	1.014	\$ 0.0689	1.012	\$ 0.0698
Clerical CBA wages & benefits	1.027	\$ 0.0106	1.027	\$ 0.0109
Total Operating Cost		\$ 0.4555		\$ 0.4658
Profit per Operating Ratio		\$ 0.0534		\$ 0.0546
Total Organic Material Transportation Fee	-6.0%	\$ 0.50889	2.3%	\$ 0.52042

	Year 11		Year 12	
	2021		2022	
	Adjustment Factor	Per Ton-Mile	Adjustment Factor	Per Ton-Mile
Plant Materials Transport Fee - Zanker Road				
Labor component	1.026	\$ 0.5205	1.026	\$ 0.5341
Fuel	0.832	\$ 0.0359	1.010	\$ 0.0363
Depreciation	1.000	\$ -	-	\$ -
Other O&M Component	1.014	\$ 0.1155	1.012	\$ 0.1168
Clerical CBA wages & benefits	1.027	\$ 0.0177	1.027	\$ 0.0182
Total Operating Cost		\$ 0.6896		\$ 0.7054
Profit per Operating Ratio		\$ 0.0616		\$ 0.0630
Total Plant Material Transportation Fee	-4.9%	\$ 0.75118	2.3%	\$ 0.76845

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for I
G. Indexes

Year 11 2021	Year 12 2022
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Workers Compensation

Use- Factor	1.018	1.021
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Direct Labor

Use- Factor	1.027	1.027
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Fuel

Use- Factor	0.832	1.010
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Other O&M

Use- Factor	1.018	1.015
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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 2022

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

	2020	2021
Average Index	136.05	138.98
% Change	1.83%	2.15%
Q1	136.90	140.30
Q2	138.00	
Q3	138.50	
Q4	139.10	

*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.
(cis201s0000000000i)*

Direct Labor

	2020	2021
Index 1ST QTR	138.50	142.18
% Change	2.69%	2.65%
Q1	140.10	144.10
Q2	140.60	
Q3	141.40	
Q4	142.60	

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

H. Department of Labor Index Detail

*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

	2020	2021
Avg Index Apr	205.34	207.37
% Change	-16.78%	0.99%
Jan	214.50	232.90
Feb	194.10	264.40
Mar	171.60	304.10
Apr	124.20	280.20
May	108.30	
Jun	137.80	
Jul	179.20	
Aug	191.00	
Sep	177.50	
Oct	187.30	
Nov	201.10	
Dec	224.60	

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

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

Avg Index April
% Change
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

2020	2021
257.07	260.93
1.79%	1.50%
257.97	261.58
258.68	263.01
258.12	264.88
256.39	267.05
256.39	
257.80	
259.10	
259.92	
260.28	
260.39	
260.23	
260.47	
1.43%	1.20%

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

I. Electric Power and Solar Cost

	Actual Use Apr-20	Actual Use Apr-21
PG&E		
Year		
Total Bill	\$ 25,187	\$ 30,635
KWH	437,693	491,382
Rate / KWH	\$ 0.058	\$ 0.062
% increase from Prior Yr.	8.74%	7.18%
Adjustment Factor	1.087	1.072

	Apr-20	Apr-21
ISH (Solar)		
Year		
Total Bill	\$ 19,508	\$ 18,200
KWH	81,049	73,412
Rate / KWH	\$ 0.241	\$ 0.248
% increase vs. Prior Yr.	3.0%	3.0%
Adjustment Factor	1.03	1.03

	Apr-20	Apr-21
Blended		
Year		
Total Bill	\$ 44,694	\$ 48,835
KWH	518,742	564,794
Rate / KWH	\$ 0.086	\$ 0.086
% increase vs. Prior Yr.	6.2%	1.3%
Adjustment Factor	1.062	1.013

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2022
J. CBA Wages & Benefits

BASE						Actual 2021 Rates		Actual 2022 Rates	
TRANSFER STATION									
Direct Labor	<u>FTE</u>	<u>Reg Hrs</u>	<u>OT Hrs</u>	<u>Hourly Rate</u>	<u>Annual Cost</u>				
Leads	1.0	2,080	390	\$33.34	\$88,851.10	\$ 48.25	\$ 128,581	\$ 49.53	\$ 131,993
Scale Operator	3.0	6,240	1,170	\$31.75	\$253,841.25	\$ 45.95	\$ 367,376	\$ 47.17	\$ 377,124
Spotter ²	5.0	10,400	780			\$ 31.99	\$ 370,110	\$ 32.84	\$ 379,930
Sorter ²	6.0	12,480	3,120			\$ 25.45	\$ 436,715	\$ 26.12	\$ 448,303
Equipment Operator-Lead	2.0	4,160	624		\$0.00	\$ 50.39	\$ 256,800	\$ 51.73	\$ 263,614
Equipment Operator	3.0	6,240	936	\$33.16	\$253,475.04	\$ 47.99	\$ 366,828	\$ 49.26	\$ 376,561
Personal Day Adjustment							\$ 14,870		\$ 15,264
						True Up	\$ -	True Up	\$ -
						Total	\$ 1,941,280	Total	\$ 1,992,790
Total	20.0	74,880	12,480		\$ 1,283,084		2.69%		2.65%

MRF									
Direct Labor	<u>FTE</u>	<u>Reg Hrs</u>	<u>OT Hrs</u>	<u>Hourly Rate</u>	<u>Annual Cost</u>				
Scale Operator - Lead	2	4160	0	33.34	138694.4				
Equipment Operator-Lead	2.0	4,160	0		\$0.00	\$ 48.25	\$ 200,712	\$ 49.53	\$ 206,038
Equipment Operator	7.0	14,560	1,456	\$31.75	\$531,622.00	\$ 45.95	\$ 769,398	\$ 47.17	\$ 789,813
MRF Mechanic	1.0	2,080	0	\$33.36	\$69,388.80	\$ 48.28	\$ 100,430	\$ 49.56	\$ 103,095
PM Technician	1.0	2,080	0	\$28.80	\$59,904.00	\$ 41.41	\$ 86,142	\$ 42.51	\$ 88,428
Utility ²	1.0	2,080	0			\$ 31.99	\$ 66,537	\$ 32.84	\$ 68,302
Spotter ²	1.0	2,080	0			\$ 31.99	\$ 66,537	\$ 32.84	\$ 68,302
Buyback Attendant	2.2	4,576	1,664	\$22.20	\$156,998.40	\$ 32.13	\$ 227,224	\$ 32.98	\$ 233,253
Personal Day Adjustment							\$ 12,850		\$ 13,191
						True Up	\$ -	True Up	\$ -
						Total	\$ 1,529,830	Total	\$ 1,570,423
Total	15.2	35,776	3,120		\$ 1,048,544		2.69%		2.65%

TRANSPORT									
Direct Labor	<u>FTE</u>	<u>Reg Hrs</u>	<u>OT Hrs</u>	<u>Hourly Rate</u>	<u>Annual Cost</u>				
Semi-Driver	20.0	41,600	6,344	\$ 34.21	1,748,678	\$ 47.99	\$ 2,453,063	\$ 49.26	\$ 2,518,153
Mechanic	1.6	3,250	-	\$ 33.36	108,407	\$ 46.50	\$ 151,109	\$ 47.73	\$ 155,119
PM Technician	-	-	-	\$ 28.80	-	\$ 41.01	\$ -	\$ 42.10	\$ -
Personal Day Adjustment							\$ 20,649		\$ 21,197
							\$ 2,624,821		\$ 2,694,469
Total		44,850	6,344		1,857,085				

BENEFITS		/ month	/ hour	/ month	/ hour	/ month	/ hour
Plant & Transportation Operations	Medical	\$1,361.00	\$7.85	\$ 2,301.07	\$ 13.28	\$ 2,362.12	\$ 13.63
	RSP	\$268.62	\$1.55	\$ 597.09	\$ 3.44	\$ 612.94	\$ 3.54
	IP	\$4.90	\$0.03	\$ 5.77	\$ 0.03	\$ 5.93	\$ 0.03
	Peer-84	\$667.33	\$3.85	\$ 1,204.93	\$ 6.95	\$ 1,236.90	\$ 7.14
Total TS & Recycling			\$ 13.28		\$ 23.70		\$ 24.33
						2.69%	2.65%

One-Time True-Up			
Total Teamster	\$	13.28	\$ 23.70
USE FOR TRANSFER STATION			2.69%
			2.65%

One Time True-Up 2015			
Total Teamster	\$	13.09	\$ 23.70
USE FOR MRF			2.69%
			2.65%

One Time True-Up 2015			
Total Teamster	\$	12.97	\$ 23.70
USE FOR TRANSPORTATION			2.69%
			0.00%

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2022
K. Clerical CBA Wages & Benefits

BASE					Actual 2021 Rates		Actual 2022 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			\$ 37.38	\$ 84,764	\$ 38.37	\$ 87,014
A/P Coordinator	2,080.00	125.00			\$ 30.26	\$ 68,622	\$ 31.07	\$ 70,442
Admin Assistant	2,080.00	125.00			\$ 29.69	\$ 67,319	\$ 30.48	\$ 69,105
Dispatcher	2,080.00	125.00			\$ 31.14	\$ 70,604	\$ 31.96	\$ 72,477
Total Hours	8,320.00	500.00						
						\$ -		\$ -
					Total	\$ 291,309	Total	\$ 299,038
2009 Base Totals	6,240.00	1,170.00		\$119,951.65				
						2.7%		2.7%

2009 BASE		33.33%		33.33%		33.33%	
Transfer	\$ 39,984	33.33%	\$ 97,103	33.33%	\$ 99,679	33.33%	\$ 99,679
MRF	\$ 39,984	33.33%	\$ 97,103	33.33%	\$ 99,679	33.33%	\$ 99,679
Transportation	\$ 39,984	33.33%	\$ 97,103	33.33%	\$ 99,679	33.33%	\$ 99,679

BENEFITS		/ month		/ hour		CPI Adjust		/ hour		CPI Adjust		/ hour	
Clerical Unit	Medical	\$ 1,139.00	\$ 6.57	\$ 2,244.58	\$ 12.95	\$ 2,304.14	\$ 13.29						
	Peer-84	\$ -	\$ -	\$ 624.50	\$ 3.60	\$ 641.07	\$ 3.70						
	RSP	\$ -	\$ -	\$ 556.76	\$ 3.21	\$ 571.53	\$ 3.30						
	IP	\$ -	\$ -	\$ 5.88	\$ 0.03	\$ 6.04	\$ 0.03						
				True Up	\$ -	True Up	\$ -						
	Total	\$ 6.57		Total	\$ 19.80	Total	\$ 20.32						
					\$ -		\$ -						
							2.7%						2.7%

Total H&W, Pension / Hr	\$ 2.19	\$ 6.60	\$ 6.77
USE FOR TRANSFER STATION		2.69%	2.65%

Total H&W, Pension / Hr	\$ 2.19	\$ 6.60	\$ 6.77
USE FOR MRF		2.69%	2.65%

Total H&W, Pension / Hr	\$ 2.19	\$ 6.60	\$ 6.77
USE FOR TRANSPORTATION		2.69%	2.65%

Total Wages + Benefits for G&A Group			
Transfer Station	\$ 53,651.88	\$ 152,010.42	\$ 156,043.90
MRF	\$ 53,651.88	\$ 152,010.42	\$ 156,043.90
Transportation	\$ 53,651.88	\$ 152,010.42	\$ 156,043.90
%		2.69%	2.65%

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2022

L. VRS PROGRAM COST

	2021	2022
SEP Clients		
Regular Hours	50,688	50,688
Overtime Hours	6,336	6,336
Holidays	826	826
Production Supervisor		
Regular Hours	2,080	2,080
Overtime Hours	260	260
Bilingual Pay Hours	2,340	2,340
Holiday Hours	96	96
Utility Worker		
Regular Hours	2,080	2,080
Overtime Hours	260	260
Bilingual Pay Hours	2,340	2,340
Holiday Hours	96	96
Client Wages-Regular	886,638	898,560
Client Wages-Overime	166,245	168,480
Client Wages-Holiday	13,641	13,824
Client Seasonal-Regular	13,732	13,824
Client Seasonal-Overtime	2,575	2,592
Client Seasonal-Holiday	1,037	1,037
Subtotal Clients	\$ 1,083,867.69	\$ 1,098,316.80
Supervision	424,690	433,828
Overhead Fee	125,453	205,286
Regulatory Fee	156,816	256,608
Administration Fee	\$ 282,268.80	\$ 461,894.40
Total Program Expense	\$ 1,790,826.87	\$ 1,994,038.83
Total Program Cost/Ton	\$ 24.19	\$ 26.94

11%

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2022
M. Power Allocation Usage Worksheet

	April 2020 Actual			April 2021 Actual		
	KWH	Rate/KWH		KWH	Rate/KWH	
PG&E						
Customer Charge	30.00	\$ 23.6550	\$ 709.65	30.00	\$ 27.5771	\$ 827.31
Max Part Peak	601.20	\$ 0.1400	\$ 84.17	520.80	\$ 1.7200	\$ 895.78
Max Demand	601.20	\$ 20.5500	\$ 12,354.66	639.60	\$ 22.7700	\$ 14,563.69
Partial Peak (2011-2020) Peak (2021-)	72,498.00	\$ 0.1164	\$ 8,438.77	6,897.63	\$ 0.1383	\$ 953.94
Off Peak & Super Off Peak	31,915.00	\$ 0.0994	\$ 3,172.99	88,766.97	\$ 0.0858	\$ 7,619.42
Power Factor Adjustment			\$ 36.54			\$ -
Generation Credit	104,413.00	\$ (0.0883)	\$ (9,222.47)	95,664.60	\$ (0.0770)	\$ (7,361.73)
Power Charge Indifference Adjustment	104,413.00	\$ 0.0265	\$ 2,763.83	95,664.60	\$ 0.0453	\$ 4,337.43
Franchise Fee Surcharge			\$ 67.87			\$ 44.01
Generation Off Peak & Super Off Peak	31,915.50	\$ 0.0454	\$ 1,449.92	88,766.97	0.0379	\$ 3,363.13
Generation Part Peak (2011-2020) On Peak (2021-)	72,498.00	\$ 0.0618	\$ 4,479.65	6,897.63	0.0655	\$ 451.52
Energy Commission Surcharge			\$ 31.32			\$ 28.70
Total Bill	418,884.90	\$ 0.0582	\$ 24,366.90	383,848.81	\$ 0.0670	\$ 25,723.20
ISH Solar						
Transfer Station (333)	28,656.21	\$ 0.2407	\$ 6,897.26	45,808.11	\$ 0.2479	\$ 11,356.29
MRF (225)	44,755.80	\$ 0.2407	\$ 10,772.27	60,446.36	\$ 0.2479	\$ 14,985.26
Total ISH Solar	73,412.01	\$ 0.2407	\$ 17,669.53	106,254.47	\$ 0.2479	\$ 26,341.55
Blended	492,296.91	\$ 0.0854	42,036.43	490,103.28	\$ 0.1062	52,064.75

April 2021 SBWMA Usage						
PG&E						
Customer Charge	30.00	\$ 27.5771	827.31			
Max Part Peak	601.20	\$ 1.7200	1,034.06			
Max Demand	601.20	\$ 22.7700	13,689.32			
Partial Peak (2011-2020) Peak (2021-)	104,413.00	\$ 0.0896	9,357.38			
Off Peak & Super Off Peak						
Power Factor Adjustment						
Generation Credit	104,413.00	\$ (0.0770)	(8,034.95)			
Power Charge Indifference Adjustment	104,413.00	\$ 0.0453	4,734.08			
Franchise Fee Surcharge			51.86			
Generation Off Peak & Super Off Peak	104,413.00	\$ 0.0399	4,163.49			
Generation Part Peak (2011-2020) On Peak (2021-)	72,498.00	\$ 0.0655	4,745.73			
Energy Commission Surcharge			67.03			
Total Bill	491,382.40	\$ 0.0623	\$ 30,635.33	7.18%		
ISH Solar						
Transfer Sta	28,656.21	\$ 0.2479	7,104.16			
MRF	44,755.80	\$ 0.2479	11,095.41			
Total ISH Solar	73,412.01	\$ 0.2479	\$ 18,199.57	3.00%		
Blended	564,794.41	\$ 0.0865	48,834.90	1.26%		