



A Public Agency

COLLECTION AND RECYCLING PROGRAM SUPPORT AND COMPLIANCE

STAFF REPORT

To: SBWMA TAC Members
From: Joe La Mariana, Executive Director
John Mangini, Senior Finance Manager
Date: September 22, 2022 Board of Directors Meeting
Subject: Resolution Approving the SBWMA Final Report Reviewing the 2023 Recology San Mateo County Compensation Application

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2022-45 attached hereto authorizing the following actions:

Approve the SBWMA Final Report Reviewing the 2023 Recology San Mateo County (Recology) Annual Compensation Adjustment Application (**Exhibit A** - Final Report) which delineates the recommended base Total Contractor's Compensation due to Recology for 2023 of \$68,158,392

Summary

The Recology Compensation Application for 2023 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 4.6% increase in Recology's compensation for 2023. 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 2023 Recology Compensation Application issued to the TAC and Board on August 10, 2022 addresses Recology's compensation due for 2023 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 2023 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., 2022 final surplus or shortfall is determined in 2023 and included in 2024 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 was revised based on the feedback received from the Member Agencies and the Final Report will be issued to the Board on September 15, 2022, for the Board's consideration at the September 22, 2022 Board of Director's meeting.

SBWMA Review of 2023 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 Thirteen (i.e., 2023) compensation results in Total 2023 Contractor's Compensation of \$68,158,392, which is an increase of \$3,011,647 (4.6% increase from prior year) due primarily to the following:

- The Recology Restated and Amended Agreement compensation increase methodology based on CPI indices and service levels.
- Direct fuel index increase of 40.6%
- Performance Incentive/Disincentive payment from Recology of \$115,350 (Table F in Recology Application).

Additional Requested Adjustment to Recology's Compensation Application

Recology's Request for COVID-19 Pandemic-Related Costs Special Compensation. 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, has requested an amount of \$292,874 for "adjustments in customer service, administrative and operational procedures, in order to comply with the State and Local Health and Safety Regulations and Senate Bill SB114, which requires employers to provide employees with California Supplemental Paid Sick Leave due to the COVID-19 pandemic."

Recology has not included these costs in the 2023 Compensation Application but has requested to discuss the matter and come to a fair and equitable resolution.

Recology indicates they incurred \$82,243 in COVID-19 costs and \$211,451 in SB 114 costs. These costs include:

- 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.
- SB 114 California Supplemental Paid Sick Leave

Recology made this same request last year during Board's consideration of Recology's 2022 Compensation Adjustment Application and the Board action at the September 23rd, 2021 BOD Meeting was to compensate Recology for 50% of the non-computer expenses in the amount of \$91,992. Staff's recommendation on the request during last year's review of the 2022 Compensation Adjustment Application is as follows:

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.

Recology's 2023 compensation is compared to 2022 in Table 1 below.

Table 1

Total Contractor's Compensation	Recology Compensation			
	2022 Cost	2023 Cost	Change	%
Base Compensation	\$65,096,773	\$68,273,741	\$3,176,968	4.9%
Incentives / Disincentives	\$49,971	(\$115,350)	\$ (165,321)	-330.8%
Total Contractor's Compensation	\$65,146,744	\$68,158,391	\$3,011,647	4.6%
<i>- Table includes a compensation amount for Belmont as a placeholder (compensation is not yet determined)</i>				

The adjustments to compensation for 2023 represent an increase in the total net compensation of 4.6% or \$3,011,647 from 2022. Note that Table 1 includes The City of Belmont's calculated compensation for ease of reconciling. The City of Belmont uses a different compensation methodology. Recology proposed to the City of Belmont a total contractor compensation of \$8,773,496 for 2023, which results in the adjustment multiplier rate of 3.66% and is consistent with Belmont's unique agreement methodology. Note that the \$8,773,496 compensation

for Belmont is the total revenue requirement including disposal and agency fees as illustrated in Table 8 of the Final Report.

The results of the adjustment process are detailed by expense category in Table 3 of the Final Report. Table 4 of the Final Report illustrates the CPI Adjustments, Service Level Adjustments.

Rate Setting and Approval Process

This SBWMA Final Report and recommendation is to determine the compensation owed to Recology for collection services in 2023. This Report also provides Table 8 (**Exhibit A**) which establishes the calculated Revenue Requirement that will be used as the basis for recommending the 2023 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, 2023, and net revenues billed by Recology in 2023 are less than needed to cover the approved total contractor's compensation delineated in the Final Report, the Agency could 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 2023 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 2023 costs to 2022 costs and showing the components of the 2023 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 2023 Collection Revenue using 2022 rates (**A.1**), the 2023 Total Recology Compensation (**A.2**) and Pass-Through Expenses (**A.6**) used to determine the 2023 Revenue Requirement (**A.7**), the estimated 2023 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 2021 Recology Revenue Reconciliation surplus/shortfall that must be added to the 2023 rate adjustment.
- **Section C** – This section provides the cumulative 2023 Required Rate Adjustment which is the sum of sections A and B.
- **Section D** – This section provides the “2022 estimated surplus/(shortfall)” balance with Recology (**D.1**), including the adjusted 2020 surplus/shortfall (**D.2**) and the associated Agency Fees on any net estimated shortfall (**D.4**). The 2022 Revenue Reconciliation will be finalized in 2024, similar to how the 2021 Revenue Reconciliation was finalized in 2023.
- **Section E** – This section includes adjustments for unique items 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:

Resolution 2022-45

Attachment A – Table 8 Total Collection Rate Adjustment

Exhibit A – SBWMA Draft Report Reviewing the 2023 Recology San Mateo County Compensation

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

- [APPENDIX A –Recology 2023 revised Compensation Application Issued on June 15, 2022.](#)
- [APPENDIX B – Member Agency Variance Analysis of Total Collection Cost and Rate Impact Comparing 2023 with 2022](#)
- [APPENDIX C – RRS Consulting’s Report Reviewing Recology’s 2023 Compensation Adjustment Application \(Including Recology’s Responses to SBWMA Questions and Comments\)](#)



RESOLUTION NO. 2022-45

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE RECOLOGY SAN MATEO COUNTY 2023 COMPENSATION APPLICATION AT THE FINAL SBWMA REPORT

WHEREAS, On February 28, 2013, the South Bayside Waste Management Authority (SBWMA) Board of Directors approved modifications to the schedule prescribed in the Member Agencies Franchise Agreements for Collection of Recyclable Materials, Organic Materials and Solid Waste with Recology San Mateo County (Recology) specifying that the SBWMA Board of Directors was required to submit comments, questions and concerns on the Draft Report to the SBWMA by August 30 each year; and,

WHEREAS, The SBWMA prepared and issued to the SBWMA Board of Directors on August 10, 2022 the SBWMA Draft Report Reviewing the 2023 Recology Compensation Application (Report); and,

WHEREAS, The Draft Report issued by the SBWMA on August 10, 2022 was updated based on feedback from Member Agencies and the SBWMA subsequently issued the Final Report (**Exhibit A**) to the Board of Directors on September 22, 2022; and,

WHEREAS, The Final Report recommends a 4.6% increase in the total contractor’s compensation when compared to the 2022 compensation approved by the SBWMA Board of Director’s on September 30, 2021 per Resolution No. 2021-28.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves:

1. The SBWMA Final Report Reviewing the 2023 Recology San Mateo County Compensation Application.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 22nd day of September, 2022, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist				
Menlo Park									

I HEREBY CERTIFY that the foregoing Resolution No. 2022-45 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 22, 2022.

ATTEST:

Alicia Aguirre, Chairperson of SBWMA

Cyndi Urman, Clerk of the Board

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 08/10/2022							
2023 Rate Year							
	Belmont *	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	
A. 2023 RATE YEAR							
A.1	2023 Collection Revenue @ 2022 Rates	\$8,773,496	\$12,365,852	\$5,901,689	\$6,743,767	\$3,518,261	\$14,178,823
A.2	Total Recology Compensation	\$4,762,925	\$6,539,481	\$2,991,604	\$4,186,744	\$2,188,170	\$7,156,191
A.3	Additional Costs						
A.4	Disposal & Processing Fees	\$1,729,462	\$3,738,107	\$2,275,513	\$2,295,138	\$1,174,565	\$4,201,790
A.5	Agency Franchise Fees	\$2,281,109	\$2,001,721	\$645,077	\$424,977	\$319,130	\$2,282,044
A.6	Total Additional Costs	\$4,010,571	\$5,739,828	\$2,920,590	\$2,720,115	\$1,493,695	\$6,483,834
A.7	2023 Revenue Requirement	\$8,773,496	\$12,279,309	\$5,912,194	\$6,906,859	\$3,681,865	\$13,640,025
A.8	2023 Surplus/(Shortfall) estimated		\$86,543	(\$10,505)	(\$163,092)	(\$163,604)	\$538,798
A.9	Agency Fees on A.8 Shortfall			(\$1,003)	(\$8,155)	(\$16,360)	
A.10	Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)		-0.7%	0.2%	2.5%	5.1%	-3.8%
B. 2021 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2021 FINAL (incl. Interest)		(\$371,430)	(\$84,388)	\$21,280	\$209,653	(\$199,793)
B.2	Agency Fees on B.1 Shortfall		(\$52,000)	(\$8,057)			(\$27,172)
B.3	Rate Adjustment Percentage (Associated with 2021 Final Surplus/Shortfall)		3.4%	1.6%	-0.3%	-6.0%	1.6%
C. 2023 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$8,773,496	\$12,702,740	\$6,005,642	\$6,893,734	\$3,488,572	\$13,866,990
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)		(\$336,887)	(\$103,954)	(\$149,967)	\$29,689	\$311,833
C.3	Rate Adjustment Percentage (C.2 / A.1)		2.7%	1.8%	2.2%	-0.8%	-2.2%
D. 2022 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2022 estimated		\$225,596	\$173,629	\$104,290	(\$46,918)	\$936,726
D.2	Surplus/(Shortfall) 2020 FINAL (incl. Interest)			\$79,221	\$365,083	\$276,148	(\$84,890)
D.3	Net Estimated 2022 Surplus/Shortfall		\$225,596	\$252,850	\$469,373	\$229,230	\$851,836
D.4	Agency Fees on D.3 Estimated Shortfall						
D.5	Rate Adjustment Percentage (Associated with 2022 Estimated Surplus/Shortfall)		-1.8%	-4.3%	-7.0%	-6.5%	-6.0%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$8,773,496	\$12,477,144	\$5,752,793	\$6,424,361	\$3,259,342	\$13,015,154
F.2	Total Surplus/(Shortfall) (A.1 - F.1)		(\$111,292)	\$148,896	\$319,406	\$258,919	\$1,163,669
F.3	Total Rate Adjustment Percentage (F.2 / A.1)		0.9%	-2.5%	-4.7%	-7.4%	-8.2%

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 08/10/2022			2023 Rate Year				
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total	
A. 2023 RATE YEAR							
A.1	2023 Collection Revenue @ 2022 Rates	\$3,303,302	\$21,802,728	\$10,724,272	\$27,227,267	\$1,884,617	\$3,638,598
A.2	Total Recology Compensation	\$2,212,586	\$12,558,310	\$6,325,073	\$15,764,887	\$1,174,833	\$2,653,035
A.3	Additional Costs						
A.4	Disposal & Processing Fees	\$1,149,368	\$7,264,738	\$2,788,005	\$8,303,364	\$542,023	\$1,094,851
A.5	Agency Franchise Fees	\$159,461	\$3,024,781	\$1,398,864	\$4,951,195	\$108,014	\$174,450
A.6	Total Additional Costs	\$1,308,829	\$10,289,518	\$4,186,869	\$13,254,559	\$650,037	\$1,269,301
A.7	2023 Revenue Requirement	\$3,521,415	\$22,847,829	\$10,511,941	\$29,019,445	\$1,824,869	\$3,922,336
A.8	2023 Surplus/(Shortfall) estimated	(\$218,113)	(\$1,045,100)	\$212,331	(\$1,792,178)	\$59,748	(\$283,738)
A.9	Agency Fees on A.8 Shortfall	(\$10,906)	(\$142,656)		(\$71,687)		(\$14,187)
A.10	Rate Adjustment Percentage (Associated with 2018 estimated Surplus/Shortfall)	6.9%	5.4%	-2.0%	6.8%	-3.2%	8.2%
B. 2021 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2021 FINAL (incl. Interest)	\$200,646	\$270,263	(\$99,481)	(\$473,576)	\$204,901	\$309,070
B.2	Agency Fees on B.1 Shortfall			(\$11,938)	(\$18,943)		
B.3	Rate Adjustment Percentage (Associated with 2021 Final Surplus/Shortfall)	-6.1%	-1.2%	1.0%	1.8%	-10.9%	-8.5%
C. 2023 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$3,331,674	\$22,720,222	\$10,623,360	\$29,583,652	\$1,619,968	\$3,627,453
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	(\$28,373)	(\$917,493)	\$100,912	(\$2,356,385)	\$264,649	\$11,145
C.3	Rate Adjustment Percentage (C.2 / A.1)	0.9%	4.2%	-0.9%	8.7%	-14.0%	-0.3%
D. 2022 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2022 estimated	(\$51,033)	(\$187,297)	\$546,790	\$79,009	\$118,164	(\$124,039)
D.2	Surplus/(Shortfall) 2020 FINAL (incl. Interest)	\$414,481	\$1,047,452	\$738,906	(\$308,256)	\$211,130	\$68,804
D.3	Net Estimated 2022 Surplus/Shortfall	\$363,448	\$860,155	\$1,285,696	(\$229,247)	\$329,294	(\$55,235)
D.4	Agency Fees on D.3 Estimated Shortfall				(\$9,170)		(\$2,762)
D.5	Rate Adjustment Percentage (Associated with 2022 Estimated Surplus/Shortfall)	-11.0%	-3.9%	-12.0%	0.9%	-17.5%	1.6%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$2,968,226	\$21,860,066	\$9,337,665	\$29,822,069	\$1,290,674	\$3,685,449
F.2	Total Surplus/(Shortfall) (A1 - F1)	\$335,075	(\$57,338)	\$1,386,608	(\$2,594,802)	\$593,943	(\$46,851)
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-10.1%	0.3%	-12.9%	9.5%	-31.5%	1.3%



SBWMA **FINAL** REPORT REVIEWING THE 2023 RECOLOGY SAN MATEO COUNTY COMPENSATION APPLICATION

September 15th, 2022

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APPENDIX B – Member Agency Variance Analysis of Total Collection Cost and Rate Impact Comparing 2023 with 2022

APPENDIX C – RRS Consulting Report Reviewing RSMC 2023 Compensation Adjustment Application

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) 2023 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 2022 compensation, applying a Service Level Adjustment (SLA) to the 2022 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 **Final** Report provides the results of SBWMA's review of Recology's 2023 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 13 and 14**) and calculated rate adjustment for 2023, 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 2023 Recology Compensation Application was submitted to the SBWMA and Member Agencies on June 15, 2022. On June 29, 2022 the SBWMA submitted questions and comments to Recology. On July 16, 2022 Recology submitted responses to the SBWMA's questions and comments. **Appendix A** provides Recology's 2023 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 2023 on July 25th.

Additional Requested Adjustments to Recology's 2023 Compensation

Recology's Request for COVID-19 Pandemic Related Costs Special Compensation. Section 11.05.A of the Amended and Restated Franchise Agreements 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. Recology has detailed \$292,694 in costs in order to comply with the State and Local Health and Safety Regulations and Senate Bill SB114, which requires employers to provide employees with California Supplemental Paid Sick Leave due to the COVID-19 pandemic. Recology has **not** included these costs in the 2023 Compensation Application but has requested to discuss the matter and come to a fair and equitable resolution.

Table 1 on the next page shows the complete schedule to review and comment on Recology’s Compensation Application. This **Final** Report provides the guidance for Member Agencies to adjust 2023 solid waste rates, if necessary.

Table 1
2022 Schedule to Approve Recology 2023 Compensation

Due Date	Milestone
June 15, 2022	Recology 2023 Compensation Application Submitted to Member Agencies and SBWMA
June 29, 2022	Member Agencies and SBWMA Comments Due to Recology
July 17, 2022	Recology Submitted responses to comments from Member Agencies and SBWMA
August 10, 2022	SBWMA Draft Report Reviewing the 2023 Recology Compensation Application Issued to Member Agencies
August 26, 2022	Member Agencies Written Comments on SBWMA Draft Report Due to SBWMA
September 8, 2022	SBWMA Board/TAC Meeting: Staff Update and Discussion
September 15, 2022	SBWMA Final Report Issued to Member Agencies/Board
September 22, 2022	SBWMA Board Meeting: Consideration of Final Report

1.C Summary of Notable Items in the 2023 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.
- 2021 revenue reconciliation of surplus/shortfall and interest payments due to/from Recology (Table H in Recology Application).
- Performance Incentive/Disincentive payment from Recology of \$115,350 (Table F in Recology Application).
- Overall, 4.6% Total Compensation increase including a fuel index increase of 40.6%

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 2023 Recology Compensation Application adjusts Attachment N costs by applying the various April 2021 to April 2022 index change.

Next, service level adjustments are applied to: Direct Labor Related Costs; Direct Fuel Costs; and Other Direct Costs. For Rate Year 2023, 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 2023, 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 2022. 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 2023 Compensation Adjustment Application using the Assessment four-week period in April 2022.

Recommendation

Based on the net results of the cost adjustments calculated in the 2023 Recology Compensation Application, SBWMA intends to recommend that the Board approve an adjustment to Recology's 2023 compensation as delineated in **Table 2** below. The total change in Recology's compensation for 2023 is an increase of \$3,011,467 or 4.6% from 2022. Note that **Table 2** includes The City of Belmont's calculated compensation for ease of reconciling. The City of Belmont uses a different compensation methodology. Recology proposed to the City of Belmont a total contractor compensation of \$8,773,496 for 2023, which results in the adjustment multiplier rate of 3.66% and is consistent with Belmont's unique agreement methodology. Note that the \$8,773,496 compensation for Belmont is the total revenue requirement including disposal and agency fees as illustrated in **Table 8**.

Table 2
Summary of Adjusted 2022 Costs to 2023 Costs

RECOLOGY COMPENSATION SUMMARY	2022 Cost	2023 Cost	\$ Change	% Change
Total Annual Cost of Operations	\$ 57,809,133	\$ 60,826,906	\$ 3,017,773	5.2%
Profit	6,068,362	6,385,145	\$ 316,783	5.2%
Operating Ratio	90.5%	90.5%		
Total Operating Costs	\$ 63,877,495	\$ 67,212,051	\$ 3,334,556	5.2%
Contractor Pass-Through Costs				
Interest Expense ¹	\$ 1,127,286	\$ 1,127,286	\$ -	0.0%
Contract Changes to Specific Agencies ²	91,992	-	(91,992)	-100.0%
Contract Changes to Specific Agencies ³	-	(65,596)	(65,596)	
Total Contractor Pass-Through Costs	\$ 1,219,278	\$ 1,061,690	\$ (157,588)	-12.9%
BASE CONTRACTOR'S COMPENSATION	\$ 65,096,773	\$ 68,273,741	\$ 3,176,968	4.9%
Other Adjustments				
Performance Incentives / Disincentives	\$ 49,971	\$ (115,350)	\$ (165,321)	-330.8%
Total Other Adjustments	\$ 49,971	\$ (115,350)	\$ (165,321)	-330.8%
TOTAL CONTRACTOR'S COMPENSATION	\$ 65,146,744	\$ 68,158,391	\$ 3,011,647	4.6%

¹ Interest expense is per the negotiated Restated and Amended Franchise Agreements

² COVID-19 Special Compensation modified by the SBWMA to contain 50% of non-computer expenses

³ Rate Year 2022 and 2021 Lifts Adjustment

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 2023 Recology Compensation Application adjusts Attachment N costs by applying the various April 2021 to April 2022 index change.

Service level adjustments are applied to: Direct Labor Related Costs; Direct Fuel Costs; and Other Direct Costs. For Rate Year 2023, 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 2023, 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.

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 2023).

The Recology 2021 Revenue Reconciliation Report was submitted to the SBWMA and Member Agencies on March 31, 2022. Staff reviewed this 2021 Revenue Reconciliation Report and contracted an independent firm (i.e., RRS Consultants), to thoroughly review it, which included validating the accuracy of the results by Member Agency. On June 23, 2022 the Board reviewed agenda item 5A which included the audit findings and results (i.e., final 2021 surplus/shortfall and interest) of the revenue reconciliation that will be added to or subtracted from Recology's 2023 compensation. Agencies can also request a refund of surplus

balances or make payments to Recology for shortfalls. The final 2021 Revenue Reconciliation balances, net of payments, have been included in Recology's 2023 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 responses to the SBWMA and RSS Consulting's comments on July 16. The questions and comments submitted to the company during the initial review period in June are provided in **Appendix C**.

SECTION 3 2023 RECOLOGY COMPENSATION APPLICATION

3.A Description of Compensation Adjustments

The 2023 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 2023 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 2021. Recology submitted a Revenue Reconciliation Report for 2021 to the SBWMA on March 31, 2022 which compares the approved compensation owed to Recology for 2021 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., RRS 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 2021 shortfall balance including interest is \$12,855 due to Recology. The balance due from Recology can be found B.1 on **Table 8**.

Performance Incentive/Disincentive Payments (and Liquidated Damages). Recology reported the 2021 Performance Incentives/Disincentives and Liquidated Damages calculations which was reviewed and approved by the SBWMA and RRS Consulting. The total annual Recology recycling diversion incentive payment from 2011 to 2021 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)
- 2021 - \$55,280 (diversion disincentive payment to the Member Agencies)

Recology’s 2021 diversion incentive payment is \$55,280 including Belmont. The diversion incentive payment is offset by Performance penalties. The net amount due from Recology and adjusted in Recology’s 2023 compensation is \$115,350 including Belmont (Table F in Recology’s Application Appendix A).

3.B Adjustment of 2022 Compensation to 2023

As prescribed in Article 11, Attachment K and Attachment N of the Restated and Amended Franchise Agreements, the adjustment of the 2022 compensation to 2023 compensation is based on each Member Agency’s negotiated 2021 compensation, which is adjusted each year by indices and service level adjustment.

Table 3 on the following page provides the detailed results from making all compensation adjustments from 2022 to 2023. The application of all adjustment factors results in an overall increase in Recology’s base 2023 compensation totaling \$3,011,647 or 4.6% from 2022.

Table 3
Results of Adjustments of 2022 Costs to 2023 Costs

RECOLOGY COMPENSATION DETAIL	2022 Cost	2023 Cost	% of Total Cost	\$ Change	% Change
Annual Cost of Operations					
Direct Labor-Related Costs					
Wages	\$ 19,816,071	\$ 20,877,105	30.6%	\$ 1,061,035	5.4%
Benefits	9,057,453	\$ 9,131,990	13.4%	74,537	0.8%
Payroll Taxes	1,605,102	\$ 1,691,046	2.5%	85,944	5.4%
Workers Compensation Insurance	1,420,115	\$ 1,496,166	2.2%	76,051	5.4%
Total Direct Labor Related-Costs	\$ 31,898,740	\$ 33,196,307	48.7%	\$ 1,297,566	4.1%
Direct Fuel Costs	2,325,454	\$ 3,270,491	4.8%	945,037	40.6%
Other Direct Costs	2,951,211	\$ 3,072,266	4.5%	121,056	4.1%
Depreciation					
- Collection Vehicles	3,019,471	\$ 2,943,932	4.3%	(75,539)	-2.5%
- Containers	1,141,479	\$ 1,141,479	1.7%	-	0.0%
Total Depreciation	\$ 4,160,950	\$ 4,085,411	6.0%	\$ (75,540)	-1.8%
Allocated Indirect Costs excluding Depreciation					
General and Administrative	\$ 9,474,882	\$ 9,903,430	14.5%	\$ 428,549	4.5%
Operations	1,900,981	\$ 1,983,832	2.9%	82,850	4.4%
Vehicle Maintenance	3,633,226	\$ 3,791,572	5.6%	158,347	4.4%
Container Maintenance	1,349,505	\$ 1,409,412	2.1%	59,907	4.4%
Total Allocated Indirect Costs excluding Depreciation	\$ 16,358,593	\$ 17,088,246	25.1%	\$ 729,653	4.5%
Total Allocated Indirect Depreciation Costs	114,184	\$ 114,184	0.2%	-	0.0%
Annual Implementation Cost Amortization	-	\$ -	0.0%	-	
Total Annual Cost of Operations	\$ 57,809,133	\$ 60,826,906	89.2%	\$ 3,017,773	5.2%
Profit	6,068,362	6,385,145	9.4%	316,783	5.2%
Operating Ratio	90.5%	90.5%			
Total Operating Costs	\$ 63,877,495	\$ 67,212,051	98.6%	\$ 3,334,556	5.2%
Contractor Pass-Through Costs					
Interest Expense	\$ 1,127,286	\$ 1,127,286	1.7%	\$ -	0.0%
Interest Expense on Implementation Cost	-	\$ -	0.0%	-	0.0%
Contract Changes to Specific Agencies	91,992	\$ (65,595)	-0.1%	(157,587)	-171.3%
Total Contractor Pass-Through Costs	1,219,278	1,061,691	1.6%	(157,587)	-12.9%
BASE CONTRACTOR'S COMPENSATION	\$ 65,096,773	\$ 68,273,742	100.2%	\$ 3,176,969	4.9%
Other Adjustments					
Performance Incentives / Disincentives	49,971	\$ (115,350)	-0.2%	(165,321)	330.8%
Total Other Adjustments	49,971	(115,350)	-0.2%	(165,321)	330.8%
TOTAL CONTRACTOR'S COMPENSATION	\$ 65,146,744	\$ 68,158,392	100.0%	\$ 3,011,648	4.6%

Table 4 below denotes the total cost adjustment by Member Agency. Note: The City of Belmont has a unique compensation methodology. Table 4 does not contain The City of Belmont's cost increase by category.

**Table 4
Results of Cost Adjustments**

2023 Total by Member Agency	Final Approved 2022 Base Compensation	CPI Adjustment	CPI %	Service Level Adjustment (SLA)	Service Level Adjustment %	Depreciation Decrease	Depreciation Decrease %	Contract Changes to Specific Agencies	Contract Changes to Specific Agencies %	Total Base Compensation	Total %
Belmont										4,762,925	
Burlingame	6,372,799	327,896	5.15%	(131,976)	-2.07%	(8,064)	-0.13%	(9,008)	-0.14%	6,551,647	2.81%
East Palo Alto	2,852,647	150,062	5.26%	4,598	0.16%	(3,583)	-0.13%	(4,031)	-0.14%	2,999,693	5.15%
Foster City	4,010,587	209,213	5.22%	(23,630)	-0.59%	(5,180)	-0.13%	2,471	0.06%	4,193,461	4.56%
Hillsborough	2,081,954	112,109	5.38%	2,364	0.11%	(3,107)	-0.15%	(2,941)	-0.14%	2,190,379	5.21%
Menlo Park	6,894,111	364,648	5.29%	(73,403)	-1.06%	(9,367)	-0.14%	(9,735)	-0.14%	7,166,254	3.95%
Redwood City	11,948,292	628,031	5.26%	37,625	0.31%	(15,048)	-0.13%	(16,887)	-0.14%	12,582,014	5.30%
San Carlos	6,029,149	318,501	5.28%	3,044	0.05%	(7,880)	-0.13%	(8,517)	-0.14%	6,334,299	5.06%
San Mateo	14,945,131	785,786	5.26%	102,296	0.68%	(18,450)	-0.12%	(21,129)	-0.14%	15,793,633	5.68%
West Bay	1,132,449	59,739	5.28%	(12,478)	-1.10%	(1,524)	-0.13%	(1,600)	-0.14%	1,176,587	3.90%
SM County	2,528,346	133,008	5.26%	1,414	0.06%	(3,229)	-0.13%	(3,573)	-0.14%	2,655,966	5.05%
North Fair Oaks	2,090,244	111,061	5.31%	21,128	1.01%	(2,606)	-0.12%	(2,955)	-0.14%	2,216,873	6.06%

Table Excludes Incentive/Disincentive

3.C Recommended Adjustment to Recology’s Compensation for 2023

Based on the net results of the compensation adjustments previously described and the analysis of the 2023 Recology Compensation Application, SBWMA is recommending that the SBWMA Board approve an adjustment to Recology's 2023 compensation as delineated in **Table 5 – Comparison of 2022 and 2023 Compensation**. The total adjustment to Recology's contractor’s compensation is a 4.6% increase. Note that **Table 5** includes The City of Belmont’s calculated compensation for ease of reconciling.

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

RECOLOGY COMPENSATION SUMMARY	2022 Cost	2023 Cost	\$ Change	% Change
Total Annual Cost of Operations	\$ 57,809,133	\$ 60,826,906	\$ 3,017,773	5.2%
Profit	6,068,362	6,385,145	\$ 316,783	5.2%
Operating Ratio	90.5%	90.5%		
Total Operating Costs	\$ 63,877,495	\$ 67,212,051	\$ 3,334,556	5.2%
Contractor Pass-Through Costs				
Interest Expense ¹	\$ 1,127,286	\$ 1,127,286	\$ -	0.0%
Contract Changes to Specific Agencies ²	91,992	-	(91,992)	-100.0%
Contract Changes to Specific Agencies ³	-	(65,596)	(65,596)	
Total Contractor Pass-Through Costs	\$ 1,219,278	\$ 1,061,690	\$ (157,588)	-12.9%
BASE CONTRACTOR'S COMPENSATION	\$ 65,096,773	\$ 68,273,741	\$ 3,176,968	4.9%
Other Adjustments				
Performance Incentives / Disincentives	\$ 49,971	\$ (115,350)	\$ (165,321)	-330.8%
Total Other Adjustments	\$ 49,971	\$ (115,350)	\$ (165,321)	-330.8%
TOTAL CONTRACTOR'S COMPENSATION	\$ 65,146,744	\$ 68,158,391	\$ 3,011,647	4.6%
¹ Interest expense is per the negotiated Restated and Amended Franchise Agreements ² COVID-19 Special Compensation modified by the SBWMA to contain 50% of non-computer expenses ³ Rate Year 2022 and 2021 Lifts Adjustment				

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.

Table 6 – Member Agency Cost

	Belmont	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	\$1,453,771	\$2,050,441	\$878,530	\$1,255,096	\$679,908	\$2,152,766	\$697,568	\$3,835,311	\$1,890,506	\$4,894,777	\$358,785	\$803,505
Benefits for CBAs	\$636,161	\$887,185	\$389,121	\$547,980	\$303,700	\$931,729	\$306,762	\$1,679,992	\$823,111	\$2,136,853	\$158,929	\$359,495
Payroll Taxes	\$117,755	\$166,086	\$71,161	\$101,663	\$55,073	\$174,374	\$56,503	\$310,660	\$153,131	\$396,477	\$29,062	\$65,084
Workers Compensation Insurance	\$104,227	\$146,695	\$63,089	\$89,996	\$48,680	\$154,011	\$49,979	\$274,894	\$135,450	\$351,030	\$25,730	\$57,668
Total Direct Labor Related-Costs	\$2,311,914	\$3,250,406	\$1,401,901	\$1,994,734	\$1,087,360	\$3,412,880	\$1,110,813	\$6,100,857	\$3,002,198	\$7,779,137	\$572,506	\$1,285,752
Direct Fuel Costs	\$335,161	\$301,718	\$146,067	\$200,370	\$118,383	\$362,348	\$109,465	\$604,331	\$312,380	\$750,759	\$60,081	\$131,148
Other Direct Costs	\$208,353	\$286,904	\$134,006	\$185,531	\$105,512	\$338,626	\$100,332	\$561,573	\$289,289	\$700,684	\$54,057	\$117,912
Depreciation												
- Collection Vehicles	\$281,317	\$283,015	\$127,095	\$182,890	\$109,064	\$327,518	\$91,929	\$531,150	\$277,516	\$650,490	\$53,782	\$117,581
- Containers	\$102,553	\$102,553	\$52,636	\$73,460	\$37,043	\$113,697	\$36,566	\$209,708	\$105,767	\$258,681	\$22,873	\$51,406
Total Depreciation	281,317	385,568	179,731	256,350	146,106	441,215	128,495	740,858	383,283	909,170	76,655	168,987
Allocated Indirect Costs												
General and Administrative		\$921,065	\$500,718	\$617,971	\$234,860	\$1,021,296	\$306,387	\$1,892,430	\$958,802	\$2,299,939	\$157,396	\$375,973
Operations		\$189,112	\$84,201	\$126,452	\$74,752	\$218,592	\$60,743	\$354,314	\$189,945	\$441,055	\$36,555	\$78,187
Vehicle Maintenance		\$361,437	\$160,928	\$241,680	\$142,869	\$417,782	\$116,093	\$677,177	\$363,029	\$842,960	\$69,865	\$149,433
Container Maintenance		\$133,499	\$68,763	\$92,719	\$35,807	\$153,179	\$43,036	\$258,895	\$131,863	\$326,357	\$23,028	\$52,347
Total Allocated Indirect Costs	\$1,111,962	\$1,605,113	\$814,611	\$1,078,823	\$488,287	\$1,810,849	\$526,258	\$3,182,815	\$1,643,639	\$3,910,310	\$286,844	\$655,940
Total Allocated Indirect Depreciation Costs		\$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	4,248,707	5,841,424	2,681,165	3,723,053	1,949,949	6,378,775	1,978,686	11,210,663	5,641,543	14,075,001	1,052,228	2,364,215
Profit	\$445,997	\$613,188	\$281,448	\$390,818	\$204,691	\$669,595	\$207,707	\$1,176,810	\$592,206	\$1,477,486	\$110,455	\$248,177
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	\$4,694,704	\$6,454,612	\$2,962,614	\$4,113,871	\$2,154,640	\$7,048,371	\$2,186,393	\$12,387,473	\$6,233,749	\$15,552,488	\$1,162,683	\$2,612,392
Contractor Pass-Through Costs												
Interest Expense	\$73,679	\$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				\$8,136								
Rate Years 2022 and 2021 Lifts Adjustments		(\$12,143)	(\$12,183)	\$20	(\$1,052)	(\$6,399)	(\$5,241)	(\$10,498)	(\$5,725)	(\$11,037)	(\$5,965)	\$0
BASE CONTRACTOR'S COMPENSATION	\$4,768,383	\$6,551,647	\$2,999,693	\$4,193,461	\$2,190,379	\$7,166,254	\$2,216,873	\$12,582,014	\$6,334,299	\$15,793,633	\$1,176,587	\$2,655,966
Incentives and Disincentives	(\$5,459)	(\$12,166)	(\$8,089)	(\$6,716)	(\$2,209)	(\$10,063)	(\$4,287)	(\$23,704)	(\$9,226)	(\$28,746)	(\$1,754)	(\$2,931)
Total Contractor Adjustments	(\$5,459)	(\$12,166)	(\$8,089)	(\$6,716)	(\$2,209)	(\$10,063)	(\$4,287)	(\$23,704)	(\$9,226)	(\$28,746)	(\$1,754)	(\$2,931)
TOTAL CONTRACTOR'S COMPENSATION	\$4,762,924	\$6,539,481	\$2,991,604	\$4,186,744	\$2,188,170	\$7,156,191	\$2,212,586	\$12,558,310	\$6,325,073	\$15,764,887	\$1,174,833	\$2,653,035
Prior Year's Surplus/Shortfall to/from Recology												
Revenue Reconciliation 2021 (Surplus)/Shortfall	\$0	\$371,430	\$84,388	(\$21,280)	(\$209,653)	\$199,793	(\$200,646)	(\$270,263)	\$99,481	\$473,576	(\$204,901)	(\$309,070)
Interest on 2021 (Surplus)/Shortfall	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub-Total	\$0	\$371,430	\$84,388	(\$21,280)	(\$209,653)	\$199,793	(\$200,646)	(\$270,263)	\$99,481	\$473,576	(\$204,901)	(\$309,070)
TOTAL BALANCE TO CONTRACTOR 2023	\$4,762,924	\$6,910,911	\$3,075,992	\$4,165,464	\$1,978,517	\$7,355,984	\$2,011,940	\$12,288,047	\$6,424,554	\$16,238,463	\$969,932	\$2,343,965

SECTION 4 2023 MEMBER AGENCY REVENUE REQUIREMENT OBLIGATIONS

4.A Components of Member Agency Revenue Requirement

The compensation to Recology for 2023 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 additional costs (discussed below) that are also included in the Member Agency’s Revenue Requirement (see **Table 8 – Total Collection Rate Adjustment**).

4.B Additional Costs

The additional costs are the following:

1. Disposal and processing expense – Disposal and processing expenses are based on projected tonnage and estimated 2023 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 2023 were provided by Member Agencies on July 23.

4.C Cost Variance from 2022 to 2023

The variance in Total Revenue Requirement from 2022 to 2023 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.

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

COLLECTION RATE VARIANCE ANALYSIS <small>estimated 8/10/2022</small>	SBWMA TOTAL				
	2023 Variance				
	2022 Estimated	2023 Estimated	2023 vs. 2022 Change	2023 vs. 2022 %	% Rate Impact
Estimated Revenue (Before Rate Increase)		\$119,523,668			
Projected Collection Revenue (After Rate Increase)	\$119,285,946				
Total Contractor's Compensation					
Base Compensation	\$65,004,781	\$68,339,337	\$3,334,556	5.1%	2.8%
Agency Specific Contract Changes	\$91,992	\$8,136	(\$83,855)	0.0%	-0.1%
Incentives / Disincentives	\$49,971	(\$115,350)	(\$165,321)	-330.8%	-0.1%
Total Contractor's Compensation	\$65,146,744	\$68,232,123	\$3,085,379	4.7%	2.6%
Other Pass-Through Costs					
Disposal & Processing Fees	\$35,317,269	\$36,702,166	\$1,384,897	3.9%	1.2%
Agency Franchise & Other Fees	\$17,004,999	\$17,655,216	\$650,217	3.8%	0.5%
Subtotal Other Pass-Through Costs	\$52,322,268	\$54,357,382	\$2,035,113	3.9%	1.7%
TOTAL REVENUE REQUIREMENT	\$117,469,012	\$122,589,505	\$5,120,493	4.4%	4.3%
2022 Estimated Surplus / <Shortfall>	\$1,816,933				
2023 Estimated Surplus / <Shortfall>		(\$3,065,836)			
Required Revenue Adjustment		2.6%			2.6%

All numbers above are current estimates except 2022 Contractor's (Recology) Compensation which is final and 2023 Contractor's Compensation which is subject to Board Approval.

4.D Total Recommended Rate Adjustment

The SBWMA is responsible for compiling all the components that make up the recommended rate adjustment for 2023 and are summarized in **Table 8**. The amounts shown in Table 8 reflect estimated balances at December 31, 2023 before any 2023 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 2023. The Total Rate Adjustment Percentage (line **F.3**) is derived from comparing the 2023 base revenue at 2022 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 2022 compensation to Recology is included in **Table 8** as a placeholder since 2023 revenue requirement has yet to be determined. Once The City of Belmont's actual 2023 compensation is available this **Final Report** and all tables within will be updated.

- **Section A** – This section provides the estimated 2023 Collection Revenue using 2021 rates (**A.1**), the 2022 Total Recology Compensation (**A.2**) and Other Expenses (**A.6**) used to determine the 2022 Revenue Requirement (**A.7**), the estimated 2023 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 2021 Recology Revenue Reconciliation surplus/shortfall, including 2019 close out, that must be added to the 2023 rate adjustment.
- **Section C** – This section provides the 2023 Calculated Rate Adjustment which is the sum of sections A and B.
- **Section D** – This section provides the “2022 Estimated Surplus/Shortfall” balance with Recology (**D.1**), the final 2020 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 calculated 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.**

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

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
<i>as of 08/10/2022</i>			2023 Rate Year				
	Belmont *	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	
A. 2023 RATE YEAR							
A.1	2023 Collection Revenue @ 2022 Rates	\$8,773,496	\$12,365,852	\$5,901,689	\$6,743,767	\$3,518,261	\$14,178,823
A.2	Total Recology Compensation	\$4,762,925	\$6,539,481	\$2,991,604	\$4,186,744	\$2,188,170	\$7,156,191
A.3	Additional Costs						
A.4	Disposal & Processing Fees	\$1,729,462	\$3,738,107	\$2,275,513	\$2,295,138	\$1,174,565	\$4,201,790
A.5	Agency Franchise Fees	\$2,281,109	\$2,001,721	\$645,077	\$424,977	\$319,130	\$2,282,044
A.6	Total Additional Costs	\$4,010,571	\$5,739,828	\$2,920,590	\$2,720,115	\$1,493,695	\$6,483,834
A.7	2023 Revenue Requirement	\$8,773,496	\$12,279,309	\$5,912,194	\$6,906,859	\$3,681,865	\$13,640,025
A.8	2023 Surplus/(Shortfall) estimated		\$86,543	(\$10,505)	(\$163,092)	(\$163,604)	\$538,798
A.9	Agency Fees on A.8 Shortfall			(\$1,003)	(\$8,155)	(\$16,360)	
A.10	Rate Adjustment Percentage (Associated with 2022 estimated Surplus/Shortfall)		-0.7%	0.2%	2.5%	5.1%	-3.8%
B. 2021 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2021 FINAL (incl. Interest)		(\$371,430)	(\$84,388)	\$21,280	\$209,653	(\$199,793)
B.2	Agency Fees on B.1 Shortfall		(\$52,000)	(\$8,057)			(\$27,172)
B.3	Rate Adjustment Percentage (Associated with 2021 Final Surplus/Shortfall)		3.4%	1.6%	-0.3%	-6.0%	1.6%
C. 2023 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$8,773,496	\$12,702,740	\$6,005,642	\$6,893,734	\$3,488,572	\$13,866,990
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)		(\$336,887)	(\$103,954)	(\$149,967)	\$29,689	\$311,833
C.3	Rate Adjustment Percentage (C.2 / A.1)		2.7%	1.8%	2.2%	-0.8%	-2.2%
D. 2022 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2022 estimated		\$225,596	\$173,629	\$104,290	(\$46,918)	\$936,726
D.2	Surplus/(Shortfall) 2020 FINAL (incl. Interest)			\$79,221	\$365,083	\$276,148	(\$84,890)
D.3	Net Estimated 2022 Surplus/Shortfall		\$225,596	\$252,850	\$469,373	\$229,230	\$851,836
D.4	Agency Fees on D.3 Estimated Shortfall						
D.5	Rate Adjustment Percentage (Associated with 2022 Estimated Surplus/Shortfall)		-1.8%	-4.3%	-7.0%	-6.5%	-6.0%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$8,773,496	\$12,477,144	\$5,752,793	\$6,424,361	\$3,259,342	\$13,015,154
F.2	Total Surplus/(Shortfall) (A.1 - F.1)		(\$111,292)	\$148,896	\$319,406	\$258,919	\$1,163,669
F.3	Total Rate Adjustment Percentage (F.2 / A.1)		0.9%	-2.5%	-4.7%	-7.4%	-8.2%

* The City of Belmont's 2023 Revenue Requirement is based on the City's unique rate application process (Recology application on July 31, 2022)

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

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY							
as of 08/10/2022				2023 Rate Year			
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total	
A. 2023 RATE YEAR							
A.1	2023 Collection Revenue @ 2022 Rates	\$3,303,302	\$21,802,728	\$10,724,272	\$27,227,267	\$1,884,617	\$3,638,598
A.2	Total Recology Compensation	\$2,212,586	\$12,558,310	\$6,325,073	\$15,764,887	\$1,174,833	\$2,653,035
A.3	Additional Costs						
A.4	Disposal & Processing Fees	\$1,149,368	\$7,264,738	\$2,788,005	\$8,303,364	\$542,023	\$1,094,851
A.5	Agency Franchise Fees	\$159,461	\$3,024,781	\$1,398,864	\$4,951,195	\$108,014	\$174,450
A.6	Total Additional Costs	\$1,308,829	\$10,289,518	\$4,186,869	\$13,254,559	\$650,037	\$1,269,301
A.7	2023 Revenue Requirement	\$3,521,415	\$22,847,829	\$10,511,941	\$29,019,445	\$1,824,869	\$3,922,336
A.8	2023 Surplus/(Shortfall) estimated	(\$218,113)	(\$1,045,100)	\$212,331	(\$1,792,178)	\$59,748	(\$283,738)
A.9	Agency Fees on A.8 Shortfall	(\$10,906)	(\$142,656)		(\$71,687)		(\$14,187)
A.10	Rate Adjustment Percentage (Associated with 2018 estimated Surplus/Shortfall)	6.9%	5.4%	-2.0%	6.8%	-3.2%	8.2%
B. 2021 Final Surplus/(Shortfall)							
B.1	Surplus/(Shortfall) 2021 FINAL (incl. Interest)	\$200,646	\$270,263	(\$99,481)	(\$473,576)	\$204,901	\$309,070
B.2	Agency Fees on B.1 Shortfall			(\$11,938)	(\$18,943)		
B.3	Rate Adjustment Percentage (Associated with 2021 Final Surplus/Shortfall)	-6.1%	-1.2%	1.0%	1.8%	-10.9%	-8.5%
C. 2023 REQUIRED REVENUE ADJUSTMENT							
C.1	Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)	\$3,331,674	\$22,720,222	\$10,623,360	\$29,583,652	\$1,619,968	\$3,627,453
C.2	Subtotal Surplus/(Shortfall) (A.1 - C.1)	(\$28,373)	(\$917,493)	\$100,912	(\$2,356,385)	\$264,649	\$11,145
C.3	Rate Adjustment Percentage (C.2 / A.1)	0.9%	4.2%	-0.9%	8.7%	-14.0%	-0.3%
D. 2022 Estimated Surplus/(Shortfall)							
D.1	Surplus/(Shortfall), 2022 estimated	(\$51,033)	(\$187,297)	\$546,790	\$79,009	\$118,164	(\$124,039)
D.2	Surplus/(Shortfall) 2020 FINAL (incl. Interest)	\$414,481	\$1,047,452	\$738,906	(\$308,256)	\$211,130	\$68,804
D.3	Net Estimated 2022 Surplus/Shortfall	\$363,448	\$860,155	\$1,285,696	(\$229,247)	\$329,294	(\$55,235)
D.4	Agency Fees on D.3 Estimated Shortfall				(\$9,170)		(\$2,762)
D.5	Rate Adjustment Percentage (Associated with 2022 Estimated Surplus/Shortfall)	-11.0%	-3.9%	-12.0%	0.9%	-17.5%	1.6%
E. Adjustments							
E.1	Miscellaneous Adjustment/Payment						
F. TOTAL RATE IMPACT							
F.1	Cumulative Revenue Requirement (C.1-D.3+E.1)	\$2,968,226	\$21,860,066	\$9,337,665	\$29,822,069	\$1,290,674	\$3,685,449
F.2	Total Surplus/(Shortfall) (A1 - F1)	\$335,075	(\$57,338)	\$1,386,608	(\$2,594,802)	\$593,943	(\$46,851)
F.3	Total Rate Adjustment Percentage (F.2 / A.1)	-10.1%	0.3%	-12.9%	9.5%	-31.5%	1.3%

SECTION 5 CONCLUSION

The SBWMA’s review of the 2023 Recology Compensation Application results in the recommendation to increase the 2023 compensation to Recology (i.e., Total Contractor’s Compensation) by 4.6% from the approved 2022 compensation, as provided in **Tables 2, 3, 5, 6,7 and 8** of this **Final** Report, and Tables A, B and E in Recology’s Application.

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.

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
John Mangini, Senior Finance Manager
Date: September 22, 2022 Board of Directors Meeting
Subject: Recology's Request for COVID-19 Pandemic Related Cost Special Compensation

Recommendation

Staff is seeking Board direction on Recology's request for COVID-19 Pandemic Related Cost Special Compensation Adjustments.

Summary

Recology indicates that the COVID-19 pandemic was a "catastrophic event" as envisioned by provision 11.05 of the Amended and Restated Franchise Agreements and, has requested an amount of \$292,874 for COVID-19 Pandemic related costs

Recology made a similar request last year during Board's consideration of Recology's 2022 Compensation Adjustment Application and the Board action at the September 23rd, 2021 BOD Meeting was to compensate Recology for 50% of the requested non-computer expenses in the amount of \$91,992.

Staff now seeks Board direction on the current request by Recology. Once direction is given, Staff will bring the this item back to the Board for formal action to grant , deny or grant in part the request at the November 2022 Board Meeting.

Analysis

Recology's Request for COVID-19 Pandemic Related Costs Special Compensation. Recology requests compensation for specific COVID 19 related expenses pursuant to Section 11.05.A of the Amended and Restated Franchise Agreements, Special Compensation Review, which 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 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, requests that the Board authorize \$292,874 for “adjustments in customer service, administrative and operational procedures, in order to comply with the State and Local Health and Safety Regulations and Senate Bill SB114, which requires employers to provide employees with California Supplemental Paid Sick Leave due to the COVID-19 pandemic.”

As was the case last year, Recology has not included these costs in the 2023 Compensation Application but has requested the Board to authorize reimbursement of these costs per Section 11.05 of the Franchise Agreements

Recology indicates they incurred \$82,243 in COVID-19 costs and \$211,451 in SB 114 costs. These costs include:

- 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.
- SB 114 California Supplemental Paid Sick Leave

As noted above, Recology made a similar request last year during Board’s consideration of Recology’s 2022 Compensation Adjustment Application and the Board approved, at the September 23rd, 2021 BOD Meeting, 50% of the non-computer related expenses incurred by Recology The expenses allowed by the Board included-----.

Last year Staff recommended that Recology’s request be denied. The Staff report to the Board provided as follows:

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/benefits needed for its employees to perform the services required by the Franchise Agreements. For these reasons, staff recommends denial of this request.

For these reasons, staff again recommends that the Board deny Recology's request.

Attachments:

Attachment A - Recology Cost Detail

Attachment B – Member Agency Cost Allocation

Document Number	GL Date	Batch Number	Business Unit	Object Account	JE Explanation	Remark	Period Number	Actual Amount	Actual Units
1258041	6/2/2021	4929326	7380319	6581 - Operational Supplies	FASTENAL COMPANY	921980125 NITRIL GLOVE LRG	9	363.88	2,000.00
1258041	6/2/2021	4929326	7380319	6581 - Operational Supplies	FASTENAL COMPANY	921980126 NITRIL GLOVE MED	9	182.16	1,000.00
3417993	6/2/2021	4929506	7380319	6581 - Operational Supplies	FASTENAL COMPANY	921980125 NITRIL GLOVE LRG	9	2.51	0.00
3417993	6/2/2021	4929506	7380319	6581 - Operational Supplies	FASTENAL COMPANY	921980126 NITRIL GLOVE MED	9	-0.01	0.00
1260630	6/11/2021	4935167	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOMS	9	7,435.29	0.00
1265324	6/28/2021	4942887	7380319	6581 - Operational Supplies	FASTENAL COMPANY	70401 NITRIL GLOVES	9	1,456.38	0.00
3431253	6/29/2021	4943668	7380319	6581 - Operational Supplies	FASTENAL COMPANY	70401 NITRIL GLOVES	9	6.70	0.00
1268966	7/9/2021	4951140	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOM	10	7,435.29	0.00
1277161	8/3/2021	4964071	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOMS	11	7,435.29	0.00
1284331	8/30/2021	4977600	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	ORDER #0-1871498 RESTROOMS	11	7,435.29	0.00
1293778	9/27/2021	4992756	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOM	12	7,435.29	0.00
1302769	10/25/2021	5009973	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOMS	1	7,435.29	0.00
1311200	11/22/2021	5026450	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOM	2	7,435.29	0.00
1320963	12/27/2021	5044404	7380319	6581 - Operational Supplies	OFFICE DEPOT INC	Hand Sanitizer Refills	3	59.93	1.00
1323209	1/4/2022	5048627	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOMS	4	7,435.29	0.00
3520990	1/6/2022	5050740	7380319	6581 - Operational Supplies	OFFICE DEPOT INC	Hand Sanitizer Refills	4	5.62	0.00
1326662	1/18/2022	5055888	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOMS	4	7,435.29	0.00
1335985	2/15/2022	5071417	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOM	5	8,165.40	0.00
1344723	3/14/2022	5086767	7380319	6581 - Operational Supplies	UNITED SITE SERVICES OF CA INC	0-1871498 PORTABLE RESTROOM	6	4,082.68	0.00

81,242.86

Description	Apr Amount 2022	April Hours 2022	May Amount 2022	May Hours 2022	Jun Amount 2022	June Hours 2022	Year To Gross Pay Period 12 2022	Year To Hours Period 12 2022
CA SPSL ADD	0.00	0.00	1,195.20	24.00	0.00	0.00	1,195.20	24.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	1,195.20	24.00	0.00	0.00	1,195.20	24.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,195.20	24.00	1,195.20	24.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	796.80	16.00	0.00	0.00	0.00	0.00	796.80	16.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	808.80	24.00	0.00	0.00	0.00	0.00	808.80	24.00
CA SPSL ADD	134.80	4.00	0.00	0.00	84.25	2.50	219.05	6.50
CA SPSL CR	398.40	8.00	0.00	0.00	0.00	0.00	398.40	8.00
CA SPSL CR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL ADD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	398.40	8.00	0.00	0.00	0.00	0.00	398.40	8.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	1,512.44	40.00	0.00	0.00	0.00	0.00	1,512.44	40.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,593.60	32.00	0.00	0.00	398.40	8.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	1,992.00	40.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,195.20	24.00	0.00	0.00	0.00	0.00	1,195.20	24.00
CA SPSL CR	2,102.80	40.00	0.00	0.00	0.00	0.00	2,102.80	40.00
CA SPSL ADD	1,261.68	24.00	0.00	0.00	0.00	0.00	1,261.68	24.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,195.20	24.00	0.00	0.00	0.00	0.00	1,195.20	24.00
CA SPSL CR	337.00	10.00	0.00	0.00	0.00	0.00	337.00	10.00
CA SPSL ADD	67.40	2.00	0.00	0.00	0.00	0.00	67.40	2.00
CA SPSL CR	0.00	0.00	1,255.80	39.00	0.00	0.00	1,255.80	39.00
CA SPSL ADD	0.00	0.00	1,288.00	40.00	0.00	0.00	1,288.00	40.00
CA SPSL CR	1,593.60	32.00	0.00	0.00	0.00	0.00	1,593.60	32.00
CA SPSL ADD	796.80	16.00	0.00	0.00	0.00	0.00	796.80	16.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL ADD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	796.80	16.00	0.00	0.00	0.00	0.00	796.80	16.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,045.80	21.00	1,045.80	21.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	796.80	16.00	0.00	0.00	0.00	0.00	796.80	16.00
CA SPSL ADD	288.66	8.00	0.00	0.00	0.00	0.00	288.66	8.00
CA SPSL ADD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL ADD	404.40	12.00	0.00	0.00	0.00	0.00	404.40	12.00
CA SPSL CR	0.00	0.00	2,022.80	40.00	0.00	0.00	2,022.80	40.00

CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	1,195.20	24.00	796.80	16.00	1,992.00	40.00
CA SPSL CR	796.80	16.00	0.00	0.00	1,195.20	24.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	398.40	8.00	398.40	8.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,919.85	40.00	1,919.85	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	383.97	8.00	383.97	8.00
CA SPSL CR	752.48	16.00	0.00	0.00	0.00	0.00	752.48	16.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,195.20	24.00	1,195.20	24.00
CA SPSL CR	0.00	0.00	0.00	0.00	398.40	8.00	398.40	8.00
CA SPSL ADD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	398.40	8.00	398.40	8.00
CA SPSL CR	0.00	0.00	1,195.20	24.00	0.00	0.00	1,195.20	24.00
CA SPSL ADD	0.00	0.00	1,992.00	40.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,030.40	32.00	1,030.40	32.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,288.00	40.00	1,288.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,881.20	40.00	1,881.20	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	752.48	16.00	752.48	16.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,195.20	24.00	0.00	0.00	0.00	0.00	1,195.20	24.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,195.20	24.00	0.00	0.00	0.00	0.00	1,195.20	24.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	796.80	16.00	0.00	0.00	0.00	0.00	796.80	16.00
CA SPSL ADD	0.00	0.00	1,195.20	24.00	796.80	16.00	1,992.00	40.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	392.24	8.00	392.24	8.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	398.40	8.00	0.00	0.00	796.80	16.00	1,195.20	24.00
CA SPSL CR	1,593.60	40.00	0.00	0.00	0.00	0.00	1,593.60	40.00
CA SPSL CR	1,593.60	32.00	0.00	0.00	0.00	0.00	1,593.60	32.00
CA SPSL ADD	1,195.20	24.00	0.00	0.00	0.00	0.00	1,195.20	24.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	398.40	8.00	398.40	8.00
CA SPSL ADD	0.00	0.00	0.00	0.00	2,012.00	40.00	2,012.00	40.00
CA SPSL ADD	1,593.60	32.00	0.00	0.00	0.00	0.00	1,593.60	32.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,195.20	24.00	1,195.20	24.00
CA SPSL ADD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	0.00	0.00	1,992.00	40.00	0.00	0.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	557.76	16.00	557.76	16.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,394.40	40.00	1,394.40	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,195.20	24.00	1,195.20	24.00
CA SPSL CR	0.00	0.00	1,992.00	40.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	1,195.20	24.00	0.00	0.00	1,195.20	24.00

CA SPSL CR	0.00	0.00	0.00	0.00	1,394.40	40.00	1,394.40	40.00
CA SPSL ADD	836.64	24.00	0.00	0.00	557.76	16.00	1,394.40	40.00
CA SPSL CR	0.00	0.00	796.05	24.00	0.00	0.00	796.05	24.00
CA SPSL CR	2,045.16	40.00	0.00	0.00	0.00	0.00	2,045.16	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,500.00	40.00	1,500.00	40.00
CA SPSL ADD	1,593.60	32.00	0.00	0.00	0.00	0.00	1,593.60	32.00
CA SPSL CR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,195.20	24.00	1,195.20	24.00
CA SPSL CR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL ADD	1,195.20	24.00	0.00	0.00	0.00	0.00	1,195.20	24.00
CA SPSL CR	796.80	16.00	0.00	0.00	1,195.20	24.00	1,992.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,288.00	40.00	1,288.00	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	257.60	8.00	257.60	8.00
CA SPSL CR	0.00	0.00	404.56	8.00	0.00	0.00	404.56	8.00
CA SPSL ADD	0.00	0.00	2,022.80	40.00	0.00	0.00	2,022.80	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,992.00	40.00	1,992.00	40.00
CA SPSL ADD	1,195.20	24.00	0.00	0.00	796.80	16.00	1,992.00	40.00
CA SPSL CR	2,022.80	40.00	0.00	0.00	0.00	0.00	2,022.80	40.00
CA SPSL ADD	1,618.24	32.00	0.00	0.00	0.00	0.00	1,618.24	32.00
CA SPSL CR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL ADD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	0.00	0.00	0.00	0.00	1,461.60	40.00	1,461.60	40.00
CA SPSL ADD	0.00	0.00	0.00	0.00	1,461.60	40.00	1,461.60	40.00
CA SPSL CR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA SPSL CR	2,012.00	40.00	0.00	0.00	0.00	0.00	2,012.00	40.00
CA SPSL ADD	1,207.20	24.00	0.00	0.00	0.00	0.00	1,207.20	24.00
CA SPSL CR	1,274.88	32.00	0.00	0.00	0.00	0.00	1,274.88	32.00
CA SPSL ADD	1,274.88	32.00	0.00	0.00	0.00	0.00	1,274.88	32.00
CA SPSL CR	1,593.60	32.00	0.00	0.00	0.00	0.00	1,593.60	32.00
CA SPSL CR	1,992.00	40.00	0.00	0.00	0.00	0.00	1,992.00	40.00
CA SPSL ADD	1,593.60	32.00	398.40	8.00	0.00	0.00	1,992.00	40.00

Gross Pay 183,074.78
 Add 8% Payroll Tax 14,645.98
 Add 7.5% Worker's Comp 13,730.61
Totals 211,451.37

	Total	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	County Franchised Area
Total Operating Cost RY 2023	67,212,051	4,342,766	6,454,612	2,962,614	4,113,871	2,154,640	7,048,371	2,186,393	12,387,473	6,233,749	15,552,488	1,162,683	2,612,392
Requested COVID-19 Costs, Allocated	292,694	18,912	28,108	12,902	17,915	9,383	30,694	9,521	53,945	27,147	67,728	5,063	11,376
Adjusted Total Operating Cost RY 2023	67,504,745	4,361,678	6,482,721	2,975,515	4,131,786	2,164,023	7,079,065	2,195,914	12,441,418	6,260,895	15,620,215	1,167,746	2,623,768
COVID-19 Costs adjustment percentage	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%	0.435%