



**A Public Agency**

**APPENDIX A**  
**Recology 2025 Compensation**  
**Application Issued on June 14, 2024**  
**Available online only at**  
**[www.rethinkwaste.org](http://www.rethinkwaste.org)**

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**Appendix A**

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# EXECUTIVE SUMMARY

## Overview of the Application

Recology San Mateo County (Recology) is pleased to submit our Rate Year 2025 Application for a Contractor's Compensation Adjustment per Section 11.04 of the Amended and Restated Franchise Agreements (Franchise Agreements) with the eleven South Bayside Waste Management Authority (SBWMA) Member Agencies. The methods and format for this Application follow the processes described in Attachment K, Contractor's Compensation and Rate Setting Process.

Rate Year 2025 Compensation includes additional compensation related to Recology's costs associated with SB 1383. Recology submitted its cost proposal associated with this change in the contracted scope of service, and the cost proposal was approved by the Board. Please refer to sections 1.1.8 and 1.2.2.B.

Section 1 of this Application (Calculation of Contractor's Compensation for the 2025 Rate Year and Variance Analysis) explains the first step in calculating the annual adjustment to Recology's compensation. This section provides the results of our calculations and explains how Attachment N, Contractor Compensation and Operating Statistics, is adjusted for fuel index and changes in service levels as described in Attachment K.

Also included are explanations on special issues such as Incentive and Disincentive payments and sections pertaining to Member Agencies that have unique cost adjustments. The Base Contractor Compensation is \$75,894,407 and an 3.5% increase from 2024. When subtracting (\$100,650) for Incentives/Disincentives the Total Contractor's Compensation is \$75,894,407 and an 3.5% increase from Rate Year 2024.

Section 2 (Annual 2023 Revenue Reconciliation) details the annual process to determine what net revenue Recology retained in compensation versus the amount actually owed to Recology. This reconciliation of revenues billed by Recology calculates the surplus or shortfall due to/from each Member Agency for 2023. The result was a surplus to Recology of \$1,063,070. The impact across the Member Agencies ranges from a shortfall of (\$956,122) for the City of San Mateo to a surplus of \$614,052 for Menlo Park. The following table provides the results of the 2023 Revenue Reconciliation, including subsequent shortfall payments. Please note that the detailed Revenue Reconciliation information is provided in Table H on page 18 and in Section 8.3.

<u>Member Agency</u>	<u>2023 Surplus or (Shortfall)</u>	<u>Interest Due (to)/from Recology</u>	<u>Total</u>
Belmont	\$0	\$0	\$0
Burlingame	(\$168,336)	(\$18,307)	(\$186,643)
East Palo Alto	\$108,244	\$0	\$108,244
Foster City	\$317,850	\$0	\$317,850
Hillsborough	\$219,523	\$0	\$219,523
Menlo Park	\$614,052	\$0	\$614,052
North Fair Oaks	\$34,804	\$0	\$34,804
Redwood City	\$283,710	\$0	\$283,710
San Carlos	\$549,540	\$0	\$549,540
City of San Mateo	(\$956,122)	(\$103,978)	(\$1,060,100)
West Bay Sanitary District	\$48,100	\$0	\$48,100
County Franchised Area	\$11,705	\$0	\$11,705
<b>Total</b>	<b>\$1,063,070</b>	<b>(\$122,285)</b>	<b>\$940,785</b>

Section 3 (Allocation of Costs to the Member Agencies) explains how Contractor Compensation is allocated across all Member Agencies using the amended Attachment K.

Section 4 (Attachment N - Cost Adjustment Calculations in Total and by Member Agency) shows the detailed calculations of Contractor Compensation by Member Agency as well as a roll-up of the detailed calculations.

The calculated adjustment for the Total Contractor's Compensation for Rate Year 2025 is an increase of \$2,581,834 or 3.5%. This total Contractor's Compensation adjustment for the SBWMA service area as a whole is summarized in the table on the following page.

	Compensation - 2024	Compensation - 2025	Change	% Change
<b>Total Annual Cost of Operations</b>	<b>65,254,033</b>	<b>67,664,244</b>	<b>2,410,211</b>	<b>3.7%</b>
<b>Profit</b>	6,849,871	7,102,876	253,006	<b>3.7%</b>
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>72,103,904</b>	<b>74,767,120</b>	<b>2,663,216</b>	<b>3.7%</b>
<b>Total Contractor Pass-Through Costs</b>	<b>1,225,003</b>	<b>1,127,286</b>	<b>(97,717)</b>	-8.0%
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>73,328,907</b>	<b>75,894,407</b>	<b>2,565,499</b>	<b>3.5%</b>
<b>Other Adjustments</b>				
<b>Incentive/Disincentive Payments</b>	<b>(117,025)</b>	<b>(100,690)</b>	<b>16,335</b>	
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>73,211,882</b>	<b>75,793,716</b>	<b>2,581,834</b>	<b>3.5%</b>

The table above provides the year-over-year comparison of the percentage change in total Contractor's Compensation due to Recology for collection services. **These figures do not include disposal and processing costs, franchise fees or the annual Revenue Reconciliation Surplus/Shortfall.**

# **1. CALCULATION OF CONTRACTOR'S COMPENSATION FOR THE 2025 RATE YEAR AND VARIANCE ANALYSIS**

## **1.1. ANNUAL ADJUSTMENT TO CONTRACTOR'S BASE COMPENSATION**

The process to calculate Recology's compensation entails several steps, which are all included in Attachment K of the Amended and Restated Franchise Agreement.

The first step entails adjusting cost components by published indices and adjusting for changes in service levels. Once these adjustments have been completed, the next step is to add specific adjustments for Incentive/Disincentive payments owed to/from Recology and other adjustments that may arise in the normal course of the contracts.

### **1.1.1. Overview of Annual Contractor's Compensation Adjustment**

The annual compensation adjustment process is prescribed in the Member Agency Franchise Agreements in Article 11 (Contractor's Compensation, Pass-Through Costs and Rates), Attachment K (Contractor's Compensation and Rate Setting Process) and Attachment N (Contractor's Compensation and Rate Setting Statistics). Article 11 provides an overview of the compensation methodology. 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.

**1.1.2. Total Contractor’s Compensation Adjustment**

The calculated adjustment for the Total Contractor’s Compensation for Rate Year 2025 increased by \$2,581,834 or 3.5%, to \$75,793,716 compared to the compensation approved for Rate Year 2024. This total cost adjustment for the SBWMA service area as a whole is summarized in **Table A** below.

**Table A**

	Compensation - 2024	Compensation - 2025	Change	% Change
<b>Total Annual Cost of Operations</b>	<b>65,254,033</b>	<b>67,664,244</b>	<b>2,410,211</b>	<b>3.7%</b>
<b>Profit</b>	6,849,871	7,102,876	253,006	3.7%
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>72,103,904</b>	<b>74,767,120</b>	<b>2,663,216</b>	<b>3.7%</b>
<b>Total Contractor Pass-Through Costs</b>	<b>1,225,003</b>	<b>1,127,286</b>	<b>(97,717)</b>	<b>-8.0%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>73,328,907</b>	<b>75,894,407</b>	<b>2,565,499</b>	<b>3.5%</b>
<b>Other Adjustments</b>				
<b>Incentive/Disincentive Payments</b>	<u><b>(117,025)</b></u>	<u><b>(100,690)</b></u>	<u><b>16,335</b></u>	
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>73,211,882</b>	<b>75,793,716</b>	<b>2,581,834</b>	<b>3.5%</b>

The adjusted Total Contractor’s Compensation for each Member Agency is provided in **Table B** on the following page.

Please note that the figures in both **Table A** (above) and **Table B** (on the following page) do not include disposal and processing costs, Franchise Fees or the annual Revenue Reconciliation Surplus/Shortfall. **Table A** and **Table B** only pertain to Recology’s Total Contractor’s Compensation for collection service.

Table B

<b>BASE COLLECTION COSTS</b>	<b>Compensation 2025</b>	Belmont	Burlingame	E Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	County Franchised Area
<b>Annual Cost of Operations</b>													
Direct Labor-Related Costs													
Wages for CBAs	\$23,316,234	\$1,534,486	\$2,277,843	\$982,397	\$1,424,128	\$747,208	\$2,361,865	\$780,736	\$4,304,110	\$2,107,215	\$5,528,804	\$394,166	\$873,275
Benefits for CBAs	\$9,751,569	\$646,759	\$944,818	\$417,042	\$591,722	\$321,236	\$980,666	\$328,200	\$1,800,686	\$876,965	\$2,299,488	\$167,977	\$376,010
Payroll Taxes	\$1,888,615	\$124,293	\$184,505	\$79,574	\$115,354	\$60,524	\$191,311	\$63,240	\$348,633	\$170,684	\$447,833	\$31,927	\$70,735
Workers Compensation Insurance	\$1,670,702	\$110,012	\$162,949	\$70,531	\$102,089	\$53,495	\$168,964	\$55,929	\$308,436	\$150,955	\$396,401	\$28,265	\$62,676
<b>Total Direct Labor Related-Costs</b>	<b>\$36,627,120</b>	<b>\$2,415,550</b>	<b>\$3,570,116</b>	<b>\$1,549,545</b>	<b>\$2,233,293</b>	<b>\$1,182,463</b>	<b>\$3,702,806</b>	<b>\$1,228,105</b>	<b>\$6,761,865</b>	<b>\$3,305,819</b>	<b>\$8,672,526</b>	<b>\$622,336</b>	<b>\$1,382,696</b>
Direct Fuel Costs	\$3,592,936	\$189,461	\$330,307	\$159,790	\$224,589	\$127,407	\$390,465	\$120,583	\$667,411	\$342,303	\$836,369	\$64,647	\$139,604
Other Direct Costs	\$3,439,083	\$220,383	\$319,298	\$150,290	\$211,069	\$115,988	\$371,682	\$112,588	\$631,915	\$322,453	\$795,900	\$59,384	\$128,133
Depreciation													
- Collection Vehicles	\$2,943,932	\$191,902	\$283,015	\$127,095	\$182,890	\$109,064	\$327,518	\$91,929	\$531,150	\$277,516	\$650,490	\$53,782	\$117,581
- Containers	\$1,141,479	\$77,090	\$102,553	\$52,636	\$73,460	\$37,043	\$113,697	\$36,566	\$209,708	\$105,767	\$258,681	\$22,873	\$51,406
<b>Total Depreciation</b>	<b>4,085,411</b>	<b>268,992</b>	<b>385,568</b>	<b>179,731</b>	<b>256,350</b>	<b>146,106</b>	<b>441,215</b>	<b>128,495</b>	<b>740,858</b>	<b>383,283</b>	<b>909,170</b>	<b>76,655</b>	<b>168,987</b>
Allocated Indirect Costs													
General and Administrative	\$11,704,636	\$712,384	\$1,105,287	\$606,509	\$731,157	\$257,533	\$1,191,739	\$365,168	\$2,258,838	\$1,120,337	\$2,766,118	\$174,343	\$415,224
Operations	\$2,237,464	\$146,251	\$210,720	\$94,556	\$146,813	\$81,755	\$241,163	\$68,769	\$402,683	\$213,064	\$506,661	\$39,997	\$85,033
Vehicle Maintenance	\$4,276,323	\$279,519	\$402,736	\$180,719	\$280,593	\$156,253	\$460,921	\$131,433	\$769,622	\$407,216	\$968,349	\$76,444	\$162,518
Container Maintenance	\$1,587,087	\$101,113	\$151,669	\$79,188	\$105,708	\$39,162	\$169,293	\$48,617	\$291,711	\$146,357	\$372,157	\$25,187	\$56,925
<b>Total Allocated Indirect Costs</b>	<b>\$19,805,511</b>	<b>\$1,239,266</b>	<b>\$1,870,412</b>	<b>\$960,972</b>	<b>\$1,264,271</b>	<b>\$534,702</b>	<b>\$2,063,115</b>	<b>\$613,987</b>	<b>\$3,722,854</b>	<b>\$1,886,974</b>	<b>\$4,613,286</b>	<b>\$315,972</b>	<b>\$719,700</b>
Total Allocated Indirect Depreciation Costs	\$114,184	\$7,409	\$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	\$0
<b>Total Annual Cost of Operations</b>	<b>67,664,244</b>	<b>4,341,062</b>	<b>6,487,416</b>	<b>3,005,177</b>	<b>4,196,818</b>	<b>2,110,967</b>	<b>6,982,139</b>	<b>2,207,081</b>	<b>12,545,132</b>	<b>6,251,585</b>	<b>15,852,192</b>	<b>1,141,079</b>	<b>2,543,595</b>
<b>Profit</b>	<b>\$7,102,876</b>	<b>\$455,692</b>	<b>\$681,000</b>	<b>\$315,461</b>	<b>\$440,550</b>	<b>\$221,593</b>	<b>\$732,932</b>	<b>\$231,683</b>	<b>\$1,316,892</b>	<b>\$656,244</b>	<b>\$1,664,042</b>	<b>\$119,782</b>	<b>\$267,007</b>
<b>Operating Ratio</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>	<b>90.5%</b>
<b>Total Operating Cost</b>	<b>\$74,767,120</b>	<b>\$4,796,754</b>	<b>\$7,168,416</b>	<b>\$3,320,637</b>	<b>\$4,637,368</b>	<b>\$2,332,560</b>	<b>\$7,715,071</b>	<b>\$2,438,764</b>	<b>\$13,862,024</b>	<b>\$6,907,829</b>	<b>\$17,516,234</b>	<b>\$1,260,860</b>	<b>\$2,810,602</b>
<b>Contractor Pass-Through Costs</b>													
Interest Expense													
Interest Expense on Implementation Cost	\$1,127,286	\$73,679	\$109,178	\$49,263	\$71,433	\$36,791	\$124,283	\$35,721	\$205,038	\$106,275	\$252,182	\$19,870	\$43,574
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>\$75,894,407</b>	<b>\$4,870,433</b>	<b>\$7,277,594</b>	<b>\$3,369,900</b>	<b>\$4,708,801</b>	<b>\$2,369,351</b>	<b>\$7,839,354</b>	<b>\$2,474,485</b>	<b>\$14,067,063</b>	<b>\$7,014,104</b>	<b>\$17,768,416</b>	<b>\$1,280,730</b>	<b>\$2,854,177</b>
Incentives and Disincentives	(\$100,690)	(\$4,487)	(\$10,490)	(\$7,310)	(\$6,436)	(\$1,661)	(\$9,547)	(\$3,568)	(\$21,457)	(\$7,695)	(\$24,633)	(\$1,013)	(\$2,392)
<b>Total Contractor Adjustments</b>	<b>(\$100,690)</b>	<b>(\$4,487)</b>	<b>(\$10,490)</b>	<b>(\$7,310)</b>	<b>(\$6,436)</b>	<b>(\$1,661)</b>	<b>(\$9,547)</b>	<b>(\$3,568)</b>	<b>(\$21,457)</b>	<b>(\$7,695)</b>	<b>(\$24,633)</b>	<b>(\$1,013)</b>	<b>(\$2,392)</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$75,793,716</b>	<b>\$4,865,946</b>	<b>\$7,267,104</b>	<b>\$3,362,590</b>	<b>\$4,702,365</b>	<b>\$2,367,690</b>	<b>\$7,829,807</b>	<b>\$2,470,917</b>	<b>\$14,045,605</b>	<b>\$7,006,409</b>	<b>\$17,743,782</b>	<b>\$1,279,717</b>	<b>\$2,851,784</b>

**1.1.3. Cost Adjustment Process**

The first step in calculating Recology’s Rate Year 2025 Compensation Application is to adjust the SBWMA Board approved Rate Year 2024 Attachment N costs and then applying the annual CPI index changes to the appropriate cost categories eligible for an index adjustment.

Next, service level adjustments are applied to cost categories that are eligible for service level adjustments. The Single-Family lines of business service level adjustments are the percentage change in the three-year rolling average number of Solid Waste accounts in each Member Agency. Commercial lines of business service level adjustments are the percentage change in the three-year rolling average number of lifts. Debris Box lines of business service level adjustments are the percentage change in the three-year rolling average number of pulls. Direct Labor Related Costs, Direct Fuel Costs, and Other Direct Costs are adjusted by 100% of the service level change. Allocated Indirect Costs are adjusted by 65% of the service level change. Service Level surveys are normally conducted in April and May of each year.

The percentage change in the annual index change by cost categories used as the basis for the 2025 adjustment to Recology’s compensation are provided in **Table C**.

**Table C**

<u>Cost Category</u>	<u>CPI Index Cost Adjustment</u>	<u>Explanation</u>
<b>Direct Wages</b>	2.97%	CPI-W-Wages: Series ID: CWURS49BSA0
<b>Direct Benefits</b>	0.60%	CPI-W-Medical: Series ID: CWURS49BSAM
<b>Workers Compensation Insurance</b>	2.97%	CPI-W-Wages: Series ID: CWURS49BSA0
<b>Direct Fuel Costs</b>	-6.17%	CPI-U Motor Fuel: Series ID: CUURS49BSETB
<b>Other Direct Costs</b>	2.97%	CPI-U: Series ID CUURS49BSA0
<b>Indirect Costs</b>	2.97%	CPI-U: Series ID CUURS49BSA0

The flowchart provided as **Table D** illustrates graphically the cost adjustment process that is conducted each year.

**Table D**

SBWMA - CONTRACTOR COST ADJUSTMENT PROCESS							
2024 CONTRACTORS COMPENSATION			INDEX ADJUSTMENT		SERVICE LEVEL ADJUSTMENTS		2025 CONTRACTORS COMPENSATION
Direct Labor- Wages & Workers Comp		+	CPI-W-Wages	+	100% Change in 3-Year Rolling Average of 2021, 2022, 2023 vs. 2022, 2023, 2024.	=	Attachment N plus Adjustments
Direct Labor- Benefits		+	CPI-W-Medical	+	100% Change in 3-Year Rolling Average of 2021, 2022, 2023 vs. 2022, 2023, 2024.	=	Attachment N plus Adjustments
Direct Fuel Costs		+	CPI-U Motor Fuel	+	100% Change in 3-Year Rolling Average of 2021, 2022, 2023 vs. 2022, 2023, 2024.	=	Attachment N plus Adjustments
Other Direct Costs		+	CPI-U	+	100% Change in 3-Year Rolling Average of 2021, 2022, 2023 vs. 2022, 2023, 2024.	=	Attachment N plus Adjustments
Depreciation Vehicles and Containers		+	No Change	+	No Change	=	Attachment N
Allocated Indirect Costs		+	CPI-U	+	65% Change in 3-Year Rolling Average of 2021, 2022, 2023 vs. 2022, 2023, 2024.	=	Attachment N plus Adjustments
Allocated Indirect Depreciation Costs		+	No Change	+	No Change	=	Attachment N
<b>Allowable Profit</b>							Profit calculated on total approved costs at Operating ratio in Proposal
<b>Contractor Pass-Through Cost</b>							
Interest			No Change		No Change	=	Attachment N
Other			Actual cost; ie, regulatory fees, etc.		Actual cost; ie, regulatory fees, etc.		Actual Cost
<b>2024 CONTRACTORS COMPENSATION</b>		+	<b>Total of all Costs Above</b>		+	<b>Total of all Costs Above</b>	
					=	<b>2025 CONTRACTORS COMPENSATION</b>	

The result of the Cost Adjustment Process is provided in Table E.

#### **1.1.4. Direct Labor-Related Costs**

Total Direct Labor Related Costs are adjusted for both annual CPI index change and change in service levels. There is an increase of \$1,376,108 or 3.9%, from the approved 2024 costs. The four specific costs that comprise the Direct Labor cost category changes compared to 2024 are as follows:

- 1) Wages for CBAs increase \$1,040,717 or 4.7%. Of that increase \$662,339 is the annual CPI index change, \$378,378 is the result of the service level adjustment.
- 2) Benefits for CBAs increase \$176,669 or 1.8%. Of that increase \$57,262 is the annual CPI index change, \$119,407 is the result of the service level adjustment.
- 3) Payroll tax expense increased \$84,298 or 4.7% due to the changes of Wages for CBA's.
- 4) Workers' Compensation Insurance increase \$74,423 or 4.7%. Of that increase \$47,464 is the annual CPI index change, \$26,959 is the result of the service level adjustment.

#### **1.1.5. Direct Fuel Costs**

Direct Fuel Costs are adjusted for both annual CPI index change and change in service levels. There is a decrease of (\$164,385) or (4.4%), from the approved Rate Year 2024 costs. Of that change, (\$231,724) is due to the annual CPI index change, \$67,341 is a result of the service level adjustment.

#### **1.1.6. Other Direct Costs**

Other Direct Costs are adjusted for both annual CPI index change and change in service levels. There is an increase of \$158,388 or 4.8%, from the approved 2024 costs. Of that increase, \$97,383 is the annual CPI index change, \$61,005 is the result of the service level adjustment.

#### **1.1.7. Depreciation on Collection Vehicles, Containers and Equipment**

The depreciation for collection vehicles, containers and equipment is the approved schedule within Attachment N. There is no change from Rate Year 2024.

**1.1.8. Indirect Costs**

Allocated Indirect Costs Excluding Depreciation include overhead costs, as follows: General and Administrative costs, Operations (Supervisory) costs, Vehicle Maintenance costs and Container Maintenance costs. These overhead cost categories each include labor and related costs, fuel costs, and other costs. These costs are adjusted for both the annual CPI index change and change in service levels. There is an increase of \$1,040,099 or 5.5%, from the approved Rate Year 2024 costs. Of that increase, \$557,029 is due to the annual CPI index change, \$483,070 is a result of the service level adjustment.

Indirect Depreciation Costs (e.g., depreciation costs related to General and Administrative, Operations Support, and Maintenance) is the approved schedule within Attachment N. There is no change from Rate Year 2024.

**1.1.9. Profit**

Allowable Profit is calculated by applying the Operating Ratio (OR) of ninety and one-half percent (90.5%) to the Contractor's approved Total Annual Costs of Operations. The Total Annual Cost of Operations is determined by adjusting the approved Attachment N by the process described in Attachment K and does not reflect the actual cost of operations.

Total Annual Cost of Operations increased 3.7% or \$2,410,211 and is made up of the items discussed above. Applying the prescribed OR to the Total Annual Cost of Operations results in an increase in Profit for 2025 of 3.7% or \$253,006.

**1.1.10. Contractor Pass-Through Costs**

Contractor Pass-Through Costs are made up of any new Regulatory Agency Fees (no changes for Rate Year 2025), Interest Expense on capital for trucks and equipment and Contract Changes to Specific Agencies. Contractor Pass-Through Costs for Rate Year 2025 are \$1,127,286.

**Table E**

<b>Total SBWMA</b>	<b>Compensation 2024</b>	<b>Compensation 2025</b>	<b>Change</b>	<b>% Change</b>
<b>Annual Cost of Operations</b>				
Direct Labor-Related Costs				
Wages for CBAs	22,275,516	23,316,234	1,040,717	4.7%
Benefits for CBAs	9,574,900	9,751,569	176,669	1.8%
Payroll Taxes	1,804,317	1,888,615	84,298	4.7%
Workers Compensation Insurance	<u>1,596,279</u>	<u>1,670,702</u>	<u>74,423</u>	4.7%
Total Direct Labor Related-Costs	35,251,012	36,627,120	1,376,108	3.9%
Direct Fuel Costs	3,757,320	3,592,936	(164,385)	-4.4%
Other Direct Costs	3,280,694	3,439,083	158,388	4.8%
Depreciation				
- Collection Vehicles	2,943,932	2,943,932	-	0.0%
- Containers	1,141,479	1,141,479	-	0.0%
Total Depreciation	4,085,411	4,085,411	-	0.0%
Allocated Indirect Costs				
General and Administrative	11,072,431	11,704,636	632,205	5.7%
Operations	2,124,291	2,237,464	113,173	5.3%
Vehicle Maintenance	4,060,024	4,276,323	216,300	5.3%
Container Maintenance	1,508,665	1,587,087	78,422	5.2%
Total Allocated Indirect Costs	18,765,411	19,805,511	1,040,099	5.5%
Total Allocated Indirect Depreciation Costs	114,184	114,184	-	0.0%
Annual Implementation Cost Amortization	-	-	-	0.0%
<b>Total Annual Cost of Operations</b>	<b>65,254,033</b>	<b>67,664,244</b>	<b>2,410,211</b>	<b>3.7%</b>
<b>Profit</b>	<b>6,849,871</b>	<b>7,102,876</b>	<b>253,006</b>	<b>3.7%</b>
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>72,103,904</b>	<b>74,767,120</b>	<b>2,663,216</b>	<b>3.7%</b>
<b>Contractor Pass-Through Costs</b>				
Interest Expense	1,127,286	1,127,286	-	0.0%
Interest Expense on Implementation Cost	-	-	-	0.0%
Contract Changes to Specific Agencies	(8,136)	-	8,136	-100.0%
SB 1383 2023 Costs	<u>105,853</u>	<u>-</u>	<u>(105,853)</u>	-100.0%
<b>Total Contractor Pass-Through Costs</b>	<b>1,225,003</b>	<b>1,127,286</b>	<b>(97,717)</b>	<b>-8.0%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>73,328,907</b>	<b>75,894,407</b>	<b>2,565,499</b>	<b>3.5%</b>
<b>Other Adjustments</b>				
<b>Incentive / Disincentives</b>	<u>(117,025)</u>	<u>(100,690)</u>	<u>16,335</u>	-14.0%
<b>Total Other Adjustments</b>	<b>(117,025)</b>	<b>(100,690)</b>	<b>16,335</b>	<b>-14.0%</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>73,211,882</b>	<b>75,793,716</b>	<b>2,581,834</b>	<b>3.5%</b>

**1.2. SPECIFIC ISSUES FOR RATE YEAR 2025**

**1.2.1. Performance Incentives and Disincentives**

The Franchise Agreements prescribe numerous performance standards and require Recology to compile information and submit monthly, quarterly and annual reports. The information and data contained in these reports are primarily self-reported by Recology. All of the Performance Incentives and Disincentives (Attachment I) with the exception of disincentives related to contamination are self-reported by Recology. The calculated Performance Incentives/Disincentives payment for Rate Year 2023 was a disincentive payment from Recology of \$100,690. **Table F** (below) provides a breakdown by Member Agency.

**Table F**

<b>Performance Incentive/Disincentive Payments 2023</b>					
	<u>Performance Incentives and Disincentives</u>				
<u>Member Agency</u>	<u>SFD and Commercial Missed P/U Events</u>	<u>Average Speed of Answer</u>	<u>90 Second Max Hold Time</u>	<u>Diversion</u>	<u>Maximum Incentives and Disincentives<sup>1</sup></u>
Belmont	\$0	\$14,800	\$6,562	(\$11,228)	\$4,487
Burlingame	\$53	\$34,428	\$15,265	(\$26,120)	\$10,490
East Palo Alto	\$53	\$23,939	\$10,614	(\$18,162)	\$7,310
Foster City	\$0	\$21,230	\$9,413	(\$16,107)	\$6,436
Hillsborough	\$0	\$5,478	\$2,429	(\$4,156)	\$1,661
Menlo Park	\$106	\$31,140	\$13,807	(\$23,626)	\$9,547
North Fair Oaks	\$0	\$11,769	\$5,218	(\$8,929)	\$3,568
Redwood City	\$212	\$70,079	\$31,071	(\$53,167)	\$21,457
San Carlos	\$53	\$25,209	\$11,177	(\$19,126)	\$7,695
San Mateo	\$212	\$80,555	\$35,716	(\$61,116)	\$24,633
County Franchised Area	\$0	\$7,892	\$3,499	(\$5,987)	\$2,392
WBSD	\$0	\$3,342	\$1,482	(\$2,535)	\$1,013
<b>Total</b>	<b>\$690</b>	<b>\$329,860</b>	<b>\$146,252</b>	<b>(\$250,260)</b>	<b>\$100,690</b>
Negative number in parenthesis denotes Incentive payment due to Recology.					
<sup>1</sup> In accordance with Attachment I, the maximum annual incentive or disincentive, except for Single-Family and Commercial Missed Pick-up Events is \$100,000 or (\$100,000).					

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### **1.3. MEMBER AGENCY SPECIFIC ISSUES**

#### **1.3.1. City of Belmont Unique Franchise Agreement**

Ten of the eleven SBWMA Member Agency Franchise Agreements use the same compensation adjustment methodology to calculate the annual adjustment to the compensation paid to Recology. One Member Agency (i.e., City of Belmont) uses a different compensation adjustment methodology; however, use of this different methodology does not impact the costs or services provided to the other ten Member Agencies. The City of Belmont's compensation adjustment calculation is not available at the time of this submission. For presentation purposes only, the compensation for the City of Belmont included in this application utilized the compensation adjustment process included in the SBWMA wide model Franchise Agreement.

#### **1.3.2 Potential Cap Carry Forward**

There is the potential that individual Member Agency's Contractor Compensation increases could exceed the 5% Cap and the Agency could invoke the Carry Forward language in Attachment K, which states:

In each of its Applications to establish Rates for Rate Years Twelve (2022) onward, Contractor shall include its calculation of: (A) Adjusted Contractor's Compensation for the coming Rate Year, (B) Adjusted Contractor's Compensation for the current Rate Year, (C) the difference between the two (calculation:  $C = A - B$ ), and (D) the amount, if any, by which such difference exceeds five percent (5%) of Adjusted Contractor's Compensation for the current Rate Year (calculation:  $D = C - (B \times 0.05)$ ) (the "Potential Cap Carry Forward"). If the calculation of the Potential Cap Carry Forward results in a negative value, the Potential Cap Carry Forward shall equal zero. This calculation is shown at the bottom of Section 4.3.

## **2. ANNUAL REVENUE RECONCILIATION**

### **2.1. REVENUE RECONCILIATION FOR 2023 TO ACCOUNT FOR ANY SHORTFALL OR SURPLUS IN COMPENSATION PAID TO RECOLOGY**

There is an annual revenue reconciliation process to determine what net revenue Recology retained in compensation versus the amount actually owed to the Company. The calculation compares gross revenue billed, less Contractor paid Pass-Through expenses for Agency Fees and disposal expense at the Shoreway Environmental Center, versus the approved Contractor's Compensation. This reconciliation of what was owed versus what was paid to Recology results in a surplus or shortfall owed to/from Recology by each Member Agency. The Rate Year 2023 Revenue Reconciliation was submitted on May 3, 2024 and is being audited by a third-party firm hired by the SBWMA. The submitted results, are included in Recology's Rate Year 2025 Total Compensation.

**Table G** (on the following page) illustrates how the Revenue Reconciliation process is conducted each year.

**Table G**

2023 REVENUE RECONCILIATION PROCESS	
January 1, 2023 <sup>1</sup>	December 31, 2023
Approved 2023 Recology Compensation	2023 Actual Revenue Billed
+↓	-↓
2023 <u>Estimated</u> Disposal Expense	2023 <u>Actual</u> Disposal <sup>2</sup> Expense Paid to SBWMA
+↓	-↓
2023 <u>Estimated</u> Agency Fees	2023 <u>Actual</u> Agency Fees Paid to Agency
+↓	-↓
Prior Period Surplus/Shortfall	Approved 2023 Recology Compensation (no changes)
=↓	=↓
2023 Approved Revenue Requirement	<u>Actual</u> Revenue Surplus/Shortfall Applied to 2025 Rates
<p><sup>1</sup> SBWMA Board approves Total Revenue Requirement in September for Member Agencies to set rates effective January 1.</p> <p><sup>2</sup> Also includes Organics and Food Scraps Processing costs (tons by Member Agency x contractor rates/ton).</p>	

Included in the Revenue Reconciliation is a review of revenue received by Recology to provide backyard service. The Franchise Agreement identifies that revenues billed for providing backyard service for the first twenty percent (20%) of Single Family Dwelling (SFD) customers is to be excluded from Contractor’s Compensation. Currently, no Member Agency has over 20% of their SFD customers subscribing to backyard service, Therefore, 100% of all backyard service revenue is credited back to the Member Agencies for Rate Year 2023.

The Revenue Reconciliation Report for Rate Year 2023 submitted by Recology on May 3, 2024 finds that Member Agencies in total have a surplus balance with Recology of \$1,063,070. (Refer to page 2 for the Recology Revenue Reconciliation summary table.) Member Agencies with a surplus balance may request a refund from Recology if requested by July 31 of that year (i.e., July 31, 2024) as further explained below.

## **2.2. INTEREST ASSOCIATED WITH A SHORTFALL OR SURPLUS IN REQUIRED REVENUES**

Section 11.07.B of the Franchise Agreement prescribes that if Member Agency elects to set Rates that are below those recommended in the SBWMA report, (or delays acting to revise Rates such that the recommended Rates do not go into effect until after January 1), and the Revenue Reconciliation process conducted by SBWMA for that Rate Year demonstrates that Net Revenues Billed were less than the approved Contractor's Compensation contained in the SBWMA report, interest shall accrue on the difference. Interest shall apply (i) to fifty percent (50%) of the difference during the Rate Year in which the shortfall in revenue occurred, and (ii) one-hundred percent (100%) of the difference during the immediately following Rate Year. The interest rate applied to both years shall be the Prime Rate in effect when SBWMA issued the report for that Rate Year plus one percent (1%). Interest payment arrangements shall be governed by the July 8, 2015 Memorandum of Understanding (MOU) between Contractor and SBWMA, which can be found in Section 8.5.

The Prime Rate this year is 6.25%. Therefore, interest is calculated at 7.25%. For Rate Year 2025, Burlingame and San Mateo had an interest charge.

**Recology San Mateo County**  
**Rate Year 2025 Application for Contractor's Compensation Adjustment**

**June 15, 2024**

**Table H**

Recology San Mateo County  
 Revenue Reconciliation and Interest  
 Rate Year 2023

	<u>Belmont</u>	<u>Burlingame</u>	<u>E Palo Alto</u>	<u>Foster City</u>	<u>Hillsborough</u>	<u>Menlo Park</u>	<u>Fair Oaks</u>	<u>Redwood City</u>	<u>San Carlos</u>	<u>San Mateo</u>	<u>West Bay</u>	<u>County</u>	<u>Agency Total</u>
Gross Revenue Billed	\$ 8,688,422	12,587,662	6,532,064	7,350,006	3,883,552	15,007,445	3,484,573	23,884,770	11,697,824	29,800,827	1,971,723	3,791,976	128,680,844
Less:													
Pass-Through Costs	4,289,175	5,971,525	3,165,178	2,809,636	1,651,339	6,749,166	1,384,562	10,872,406	4,527,158	13,788,674	720,799	1,409,011	57,338,629
Unscheduled and Intermittent Services	120,556	244,992	182,650	57,056	34,173	288,243	53,267	440,607	196,572	729,812	27,991	27,295	2,403,214
Net Revenue Billed	4,278,691	6,371,145	3,184,236	4,483,314	2,198,040	7,970,036	2,046,744	12,571,757	6,974,094	15,282,341	1,222,933	2,355,670	68,939,001
Approved Contractor's Compensation	4,278,691	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	68,029,605
2021 (Surplus)/Shortfall Interest on 2020 (Surplus)/Shortfall	—	371,430	84,388	(21,280)	(209,653)	199,793	(200,646)	(270,263)	99,481	473,576	(204,901)	(309,070)	12,855
2021 (Surplus)/Shortfall before Payments	—	371,430	84,388	(21,280)	(209,653)	199,793	(200,646)	(270,263)	99,481	473,576	(204,901)	(309,070)	12,855
2021 Surplus Paid to Member Agencies											204,901		204,901
2021 Shortfall Paid to Recology		(371,430)											(371,430)
Adjusted 2021 (Surplus)/Shortfall	—	—	84,388	(21,280)	(209,653)	199,793	(200,646)	(270,263)	99,481	473,576	—	(309,070)	(153,674)
Total Due Recology San Mateo County for Rate Year 2023	4,278,691	6,539,481	3,075,992	4,165,464	1,978,517	7,355,984	2,011,940	12,288,047	6,424,554	16,238,463	1,174,833	2,343,965	67,875,931
Surplus/(Shortfall) for Rate Year 2023	\$	(168,336)	108,244	317,850	219,523	614,052	34,804	283,710	549,540	(956,122)	48,100	11,705	1,063,070

Note: In accordance with the Memorandum of Understanding, interest is applied to the shortfall between net revenue billed and the approved amount due Recology if rates are set below those recommended in the SBWMA report approved by the SBWMA Board. Interest is applied to 50% of the difference during the rate year in which the difference occurred (2023) because the difference occurs throughout the year and to 100% of the difference in the immediately following year (2024) because the difference exists the entire year. The interest applied to both years is the prime rate in effect when the SBWMA issued the report for that year plus one percent (1%). The prime rate for Rate Year 2023 is 6.25%.

### **3. ALLOCATION OF COSTS TO THE MEMBER AGENCIES**

#### **3.1. EXPLANATION OF COST ALLOCATION PROCESS**

A cost allocation process was not needed for Rate Year 2025. Per the Amended and Restated Franchise Agreement, the Parties agreed that the projected Rate Year 2024 Contractor's Compensation for each Member Agency shall be used as the basis for determining each Member Agency's share of adjusted 2024 Contractor's Compensation for Rate Year Fourteen (2024), and each Member Agency's share of Contractor's Compensation for all subsequent Rate Years. The cost basis shall not be adjusted during the Term of the Agreement, with the exception of allocation of adjusted vehicle depreciation and interest costs for Rate Year Seventeen (2027) as described further in Section 4 of Attachment K. Agency's share of Contractor's Compensation shall be adjusted independently from others using the methodology in this Attachment K, adjusting for changes in cost indices and Agency specific changes in service levels.

## **4. ATTACHMENT N: COST ADJUSTMENT CALCULATIONS IN TOTAL AND BY MEMBER AGENCY**

Attachment N of the Franchise Agreement illustrates the calculation process to derive the actual total compensation adjustment to each Member Agency and is included in this section of the report.

4.1 Contractor Total Compensation – Year over Year: As previously shown in Table E, this table shows the results of all the costs adjustments, as previously described, in total for the combined SBWMA service area. Each cost category is broken out with Rate Year 2024 costs, Rate Year 2025 costs, the dollar variance and the percentage variance.

4.2 Contractor Total Compensation – By Service Sector: This table breaks out the Base Contractor's costs by service sector.

4.3 Contractor Total Compensation – By Member Agency: This table shows the Rate Year 2025 Total Compensation, including special and one-time adjustments by Member Agency. At the bottom of the table is a comparison to the Rate Year 2024 total costs and a percentage change.

4.4 Member Agency Year over Year and Detail Compensation: This section includes a table showing the results of all the cost adjustments in a year over year comparative look. Also, you will find the detailed calculations described in Attachment K and shown in Attachment N. The calculation is shown by Service Sector. The first step makes an adjustment for the annual CPI index change. The second step makes an adjustment for changes in service levels. The service level calculation displays the Single-Family Solid Waste Accounts, Commercial Lifts by Service Sector, and Roll-off Hauls used to calculate the change in the three-year rolling average of each statistic.

Included on the following pages is Attachment N for Rate Year 2025.



**A Public Agency**

## APPENDIX B

**Member Agency Variance Analysis of  
Total Collection Cost and Rate  
Impact Comparing 2024 with 2023  
Available online only at  
[www.rethinkwaste.org](http://www.rethinkwaste.org)**

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**Appendix B**

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COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	Burlingame				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$13,775,990			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$13,775,990				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$98,821)		0.7%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$6,993,700	\$7,277,594	\$283,894	4.1%	2.1%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$12,093)	(\$10,490)	\$1,603	13.3%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$6,981,607</b>	<b>\$7,267,104</b>	<b>\$285,497</b>	<b>4.1%</b>	<b>2.1%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$4,714,488	\$5,048,195	\$333,707	7.1%	2.4%
Agency Franchise & Other Fees	\$2,178,717	\$2,178,717	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$6,893,205</b>	<b>\$7,226,912</b>	<b>\$333,707</b>	<b>4.8%</b>	<b>2.4%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$13,874,812</b>	<b>\$14,494,016</b>	<b>\$619,204</b>	<b>4.5%</b>	<b>4.5%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$98,821)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$718,026)</b>			
<b>Required Revenue Adjustment</b>		<b>5.2%</b>			<b>5.2%</b>
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	E Palo Alto				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$6,521,233			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$6,521,233				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$436,698)		6.7%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$3,252,302	\$3,369,900	\$117,598	3.6%	1.8%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$8,221)	(\$7,310)	\$911	11.1%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$3,244,081</b>	<b>\$3,362,590</b>	<b>\$118,508</b>	<b>3.7%</b>	<b>1.8%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$2,889,356	\$3,095,625	\$206,269	7.1%	3.2%
Agency Franchise & Other Fees	\$824,493	\$824,493	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$3,713,850</b>	<b>\$3,920,119</b>	<b>\$206,269</b>	<b>5.6%</b>	<b>3.2%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$6,957,931</b>	<b>\$7,282,708</b>	<b>\$324,778</b>	<b>4.7%</b>	<b>5.0%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$436,698)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$761,475)</b>			
<b>Required Revenue Adjustment</b>		11.7%			11.7%
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	Foster City				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$7,725,146			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$7,725,146				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$84,764)		1.1%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$4,496,473	\$4,708,801	\$212,328	4.7%	2.7%
Agency Specific Contract Changes	(\$8,136)	\$0	\$8,136	-100.0%	0.1%
Incentives / Disincentives	(\$7,540)	(\$6,436)	\$1,104	14.6%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$4,480,797</b>	<b>\$4,702,365</b>	<b>\$221,568</b>	<b>4.9%</b>	<b>2.9%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$2,833,769	\$3,034,489	\$200,720	7.1%	2.6%
Agency Franchise & Other Fees	\$495,343	\$490,581	(\$4,762)	-1.0%	-0.1%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$3,329,112</b>	<b>\$3,525,070</b>	<b>\$195,958</b>	<b>5.9%</b>	<b>2.5%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$7,809,909</b>	<b>\$8,227,435</b>	<b>\$417,526</b>	<b>5.3%</b>	<b>5.4%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$84,764)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$502,290)</b>			
<b>Required Revenue Adjustment</b>		<b>6.5%</b>			<b>6.5%</b>

All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	Hillsborough				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$4,074,772			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$4,036,228				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$206,534)		5.1%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,317,965	\$2,369,351	\$51,386	2.2%	1.3%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$2,134)	(\$1,661)	\$473	22.2%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$2,315,831</b>	<b>\$2,367,690</b>	<b>\$51,859</b>	<b>2.2%</b>	<b>1.3%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,595,439	\$1,710,286	\$114,847	7.2%	2.8%
Agency Franchise & Other Fees	\$370,036	\$370,036	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$1,965,475</b>	<b>\$2,080,322</b>	<b>\$114,847</b>	<b>5.8%</b>	<b>2.8%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$4,281,307</b>	<b>\$4,448,012</b>	<b>\$166,706</b>	<b>3.9%</b>	<b>4.1%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$245,078)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$373,240)</b>			
<b>Required Revenue Adjustment</b>		<b>9.2%</b>			<b>9.2%</b>
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	Menlo Park				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$15,876,980			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$15,876,980				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$126,300		-0.8%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$7,638,762	\$7,839,354	\$200,592	2.6%	1.3%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$10,210)	(\$9,547)	\$664	6.5%	0.0%
<b>Total Contractor's Compensation</b>	\$7,628,551	\$7,829,807	\$201,256	2.6%	1.3%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$5,605,650	\$6,003,021	\$397,371	7.1%	2.5%
Agency Franchise & Other Fees	\$2,516,479	\$2,516,479	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	\$8,122,129	\$8,519,500	\$397,371	4.9%	2.5%
<b>TOTAL REVENUE REQUIREMENT</b>	\$15,750,680	\$16,349,307	\$598,627	3.8%	3.8%
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	\$126,300				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$472,327)			
<b>Required Revenue Adjustment</b>		3.0%			3.0%
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	North Fair Oaks				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$3,744,723			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$3,744,723				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$367,862)		9.8%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,393,112	\$2,474,485	\$81,373	3.4%	2.2%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$3,762)	(\$3,568)	\$194	5.2%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$2,389,350</b>	<b>\$2,470,917</b>	<b>\$81,567</b>	<b>3.4%</b>	<b>2.2%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,542,379	\$1,652,316	\$109,938	7.1%	2.9%
Agency Franchise & Other Fees	\$180,857	\$180,857	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$1,723,235</b>	<b>\$1,833,173</b>	<b>\$109,938</b>	<b>6.4%</b>	<b>2.9%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$4,112,585</b>	<b>\$4,304,090</b>	<b>\$191,505</b>	<b>4.7%</b>	<b>5.1%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$367,862)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$559,367)</b>			
<b>Required Revenue Adjustment</b>		<b>14.9%</b>			<b>14.9%</b>

All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	Redwood City				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$25,916,529			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$25,468,609				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$500,489)		1.9%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$13,579,642	\$14,067,063	\$487,421	3.6%	1.9%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$23,179)	(\$21,457)	\$1,721	7.4%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$13,556,463</b>	<b>\$14,045,605</b>	<b>\$489,142</b>	<b>3.6%</b>	<b>1.9%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$9,390,513	\$10,056,400	\$665,887	7.1%	2.6%
Agency Franchise & Other Fees	\$3,470,042	\$3,483,636	\$13,594	0.4%	0.1%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$12,860,555</b>	<b>\$13,540,037</b>	<b>\$679,481</b>	<b>5.3%</b>	<b>2.6%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$26,417,019</b>	<b>\$27,585,642</b>	<b>\$1,168,623</b>	<b>4.4%</b>	<b>4.5%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$948,410)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$1,669,113)</b>			
<b>Required Revenue Adjustment</b>		<b>6.4%</b>			<b>6.4%</b>
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024		San Carlos				
		2025 Variance				
		2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>			\$12,121,005			
<b>Projected Collection Revenue (After Rate Increase)</b>		\$12,121,005				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>				\$132,431		-1.1%
<b>Total Contractor's Compensation</b>						
Base Compensation		\$6,800,612	\$7,014,104	\$213,492	3.1%	1.8%
Agency Specific Contract Changes		\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives		(\$9,673)	(\$7,695)	\$1,977	20.4%	0.0%
<b>Total Contractor's Compensation</b>		<b>\$6,790,939</b>	<b>\$7,006,409</b>	<b>\$215,469</b>	<b>3.2%</b>	<b>1.8%</b>
<b>Other Pass-Through Costs</b>						
Disposal & Processing Fees		\$3,558,137	\$3,811,232	\$253,095	7.1%	2.1%
Agency Franchise & Other Fees		\$1,639,497	\$1,579,050	(\$60,447)	-3.7%	-0.5%
<b>Subtotal Other Pass-Through Costs</b>		<b>\$5,197,634</b>	<b>\$5,390,282</b>	<b>\$192,648</b>	<b>3.7%</b>	<b>1.6%</b>
<b>TOTAL REVENUE REQUIREMENT</b>		<b>\$11,988,573</b>	<b>\$12,396,691</b>	<b>\$408,117</b>	<b>3.4%</b>	<b>3.4%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>\$132,431</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>			<b>(\$275,686)</b>			
<b>Required Revenue Adjustment</b>			<b>2.3%</b>			<b>2.3%</b>
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.						

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	San Mateo				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$32,209,170			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$31,911,493				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$446,891)		1.4%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$17,075,361	\$17,768,416	\$693,055	4.1%	2.2%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$29,961)	(\$24,633)	\$5,328	17.8%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$17,045,400</b>	<b>\$17,743,782</b>	<b>\$698,383</b>	<b>4.1%</b>	<b>2.2%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$10,474,870	\$11,218,952	\$744,083	7.1%	2.3%
Agency Franchise & Other Fees	\$5,135,792	\$4,589,051	(\$546,740)	-10.6%	-1.7%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$15,610,661</b>	<b>\$15,808,004</b>	<b>\$197,342</b>	<b>1.3%</b>	<b>0.6%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$32,656,061</b>	<b>\$33,551,786</b>	<b>\$895,725</b>	<b>2.7%</b>	<b>2.8%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$744,568)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$1,342,616)</b>			
<b>Required Revenue Adjustment</b>		<b>4.2%</b>			<b>4.2%</b>
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	West Bay				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$2,109,361			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$2,109,361				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$29,178)		1.4%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$1,251,404	\$1,280,730	\$29,326	2.3%	1.4%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$1,128)	(\$1,013)	\$115	10.2%	0.0%
<b>Total Contractor's Compensation</b>	\$1,250,276	\$1,279,717	\$29,441	2.4%	1.4%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$767,281	\$822,429	\$55,148	7.2%	2.6%
Agency Franchise & Other Fees	\$120,982	\$120,982	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	\$888,263	\$943,412	\$55,148	6.2%	2.6%
<b>TOTAL REVENUE REQUIREMENT</b>	\$2,138,540	\$2,223,129	\$84,589	4.0%	4.0%
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	(\$29,178)				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$113,767)			
<b>Required Revenue Adjustment</b>		5.4%			5.4%
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2024	Unincorporated County				
	2025 Variance				
	2024 Estimated	2025 Estimated	2025 vs. 2024 Change	2025 vs. 2024 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$4,324,284			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$4,324,284				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$172,840)		4.0%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,799,894	\$2,854,177	\$54,283	1.9%	1.3%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$2,977)	(\$2,392)	\$585	19.6%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$2,796,917</b>	<b>\$2,851,784</b>	<b>\$54,867</b>	<b>2.0%</b>	<b>1.3%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,492,990	\$1,600,215	\$107,226	7.2%	2.5%
Agency Franchise & Other Fees	\$207,218	\$207,218	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$1,700,208</b>	<b>\$1,807,433</b>	<b>\$107,226</b>	<b>6.3%</b>	<b>2.5%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$4,497,124</b>	<b>\$4,659,218</b>	<b>\$162,093</b>	<b>3.6%</b>	<b>3.7%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	(\$172,840)				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$334,933)			
<b>Required Revenue Adjustment</b>		7.7%			7.7%
All numbers above are current estimates except 2024 Contractor's (Recology) Compensation which is final and 2025 Contractor's Compensation which is subject to Board Approval.					



**A Public Agency**

## APPENDIX C

**SBWMA's Questions and comments  
to Recology's Compensation  
Application, and Recology's  
response**

**Available online only at  
[www.rethinkwaste.org](http://www.rethinkwaste.org)**

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**Appendix C**

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## Recology San Mateo County (Recology) Response to SBWMA Questions and Comments on Recology’s Rate Year 2025 Application for Contractor’s Compensation Application (CCA)

Please find Recology’s responses to the SBWMA questions and comments below in green.

1. Allocation of Cost Increases by Agency – Could you submit an updated table (see a prior year example of Compensation Adjustment by Component #1.xlsx table below) that provides the summary calculations that result in the allocation of increased cost for each line item that distributes the cost attributed to the annual CPI index and the service level adjustment for the Base Contractor’s Compensation as illustrated in the YOY SBWMA tab in Attachment N.

2022 Total by Member Agency	Final Approved 2021 Compensation	BIC Route	BIC Route %	CPI Adjustment	CPI %	Service Level Adjustment (SLA)	Service Level Adjustment %	COVID-19 Costs	COVID-19 %	Total Compensation Including BIC Route, CPI, SLA and COVID-19	
										SLA and COVID-19	Total %
Belmont	4,105,136	45,517	1.11%	46,439	1.13%	8,022	0.20%	14,868	0.36%	4,219,981	2.80%
Burlingame	6,395,164	43,894	0.69%	68,605	1.07%	(143,871)	-2.25%	22,508	0.35%	6,386,300	0.14%
East Palo Alto	2,772,345	35,830	1.29%	29,443	1.06%	10,998	0.40%	10,074	0.36%	2,858,690	3.11%
Foster City	3,952,237	41,491	1.05%	41,699	1.06%	(30,505)	-0.77%	14,155	0.36%	4,019,077	1.69%
Hillsborough	2,047,304	17,238	0.84%	19,820	0.97%	(5,349)	-0.26%	7,349	0.36%	2,086,362	1.91%
Menlo Park	6,878,654	45,799	0.67%	70,855	1.03%	(110,932)	-1.61%	24,327	0.35%	6,908,703	0.44%
Redwood City	11,668,025	118,521	1.02%	123,297	1.06%	21,562	0.18%	42,199	0.36%	11,973,604	2.62%
San Carlos	5,894,847	54,682	0.93%	61,633	1.05%	9,470	0.16%	21,284	0.36%	6,041,916	2.49%
San Mateo	14,592,828	165,639	1.14%	154,856	1.06%	10,679	0.07%	52,799	0.36%	14,976,801	2.63%
West Bay Sanitary Dist	1,106,508	12,121	1.10%	11,217	1.01%	1,003	0.09%	3,998	0.36%	1,134,847	2.56%
Unincorporated County	2,468,225	30,437	1.23%	25,492	1.03%	619	0.03%	8,929	0.36%	2,533,702	2.65%
North Fair Oaks	2,017,978	20,202	1.00%	20,890	1.04%	28,219	1.40%	7,383	0.37%	2,094,672	3.80%
<b>Total SBWMA</b>	<b>63,899,251</b>	<b>631,371</b>	<b>0.99%</b>	<b>674,246</b>	<b>1.06%</b>	<b>(200,086)</b>	<b>-0.31%</b>	<b>229,873</b>	<b>0.36%</b>	<b>65,234,655</b>	<b>2.09%</b>

### RECOLOGY RESPONSE

The schedule you requested is included as a source file labeled Compensation Adjustment by Component #1 RY 2025, which will be submitted via email to the SBWMA. This file provides the summary calculations, which show the allocation of increased costs for each line item and distributes the cost attributed to the annual CPI index and service level adjustment for the Base Contractor’s Compensation as illustrated in Attachment N.

2. Surplus/Shortfall Paid – Please provide the amounts by Member Agency of any surplus or shortfall paid since the final 2022 Revenue Reconciliation.

Since the final 2022 revenue reconciliation, Recology has paid the 2022 surplus of \$317,824 to West Bay Sanitary District and Recology received the shortfall payment from County Franchised Area in the amount of \$96,240.

3. Attachment N – Please verify the formulas on Attachment N as follows:

- Tab D. Burlingame, cells AF167, AG167, AH167, AL75 and AM73
- Tab D. Foster City, cells E167, F167 and H167
- Tab D. CFA, Tab cells ranging from AF185 to AL212

The formulas for “Tab D. BUR, FOC, CFA” have been adjusted. The adjustment to Burlingame resulted in a compensation increase to Recology in the amount of \$312. The adjustment to Foster City resulted in a decrease to Recology in the amount of \$201. There was no change in compensation for the County Franchised Area. The net change in compensation is an increase of \$111 to Recology. An updated “Attachment N” will be sent to the SBWMA via email.



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**APPENDIX D**  
**Attachment K, Section 5 – Possible  
Carry Forward of Annual  
Compensation Adjustment Above 5%  
Available online only at  
[www.rethinkwaste.org](http://www.rethinkwaste.org)**

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**Appendix D**

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**ATTACHMENT K  
CONTRACTOR'S COMPENSATION AND RATE SETTING PROCESS**

**5. Possible Carry Forward of Annual Compensation Adjustments Above 5%**

If Agency's share of Contractor's Compensation for the coming Rate Year (expressed in dollars) exceeds Agency's share of Contractor's Compensation for the current Rate Year (expressed in dollars) by more than five percent (5%), calculated as provided below, then Agency may elect to defer (carry forward) the excess to the subsequent Rate Year in accordance with this Section. The purpose of the carry forward mechanism is to smooth Rate adjustments, not to reduce the amount of compensation to which Contractor is entitled.

Agency's deferral right shall apply only to increases in Contractor's Compensation resulting from application of the methodology set forth in this Attachment K, excluding any Agency-specific costs. The following cost items shall not be subject to deferral or included in deferral calculations:

- Any costs listed in Table 1 under the line items "Contract Changes to Specific Agencies" or "Incentives/Disincentives Payments";
- Cost increases under other Sections of the Agreement including, but not limited to, those resulting from Agency-directed changes (Section 15.12) or Changes in Law (Section 11.05); and,
- Increases in costs that are not part of Contractor's Compensation including, but not limited to, Franchise Fees or other Agency fees, or processing and Disposal fees paid by Contractor to SBWMA.

Agency's share of Contractor's Compensation for a given Rate Year (expressed in dollars), adjusted as necessary to comply with the foregoing requirements, shall be referred to herein as "Adjusted Contractor's Compensation." Adjusted Contractor's Compensation for a given Rate Year includes any Cap Carry Forward from the previous Rate Year.

In each of its Applications to establish Rates for Rate Years Twelve (2022) onward, Contractor shall include its calculation of: (A) Adjusted Contractor's Compensation for the coming Rate Year, (B) Adjusted Contractor's Compensation for the current Rate Year, (C) the difference between the two (calculation:  $C = A - B$ ), and (D) the amount, if any, by which such difference exceeds five percent (5%) of Adjusted Contractor's Compensation for the current Rate Year (calculation:  $D = C - (B \times 0.05)$ ) (the "Potential Cap Carry Forward"). If the calculation of the Potential Cap Carry Forward results in a negative value, the Potential Cap Carry Forward shall equal zero.

SBWMA shall confirm or correct Contractor's calculations and include such amounts, for each Member Agency, in its reports on Contractor's Application.

Agency may elect to carry forward any amount provided that the amount is less than or equal to the Potential Cap Carry Forward. If Agency elects to defer some or all of the Potential Cap Carry Forward, then:

1. Contractor's Compensation for the coming Rate Year shall be deemed reduced by such amount, for purposes of Agency's obligation to adjust Rates under Section 13 below; and,
2. Contractor's Compensation for the subsequent Rate Year shall be increased by such amount (which shall be the "Cap Carry Forward") in the Contractor's Compensation and Rate setting process for such subsequent Rate Year).

Agency may not defer any amounts in the final Rate Year of the Term. All Contractor's Compensation due to Contractor that was carried forward and not previously compensated to Contractor shall be reflected in the Contractor's Compensation for the final Rate Year of the Term, so that no Cap Carry Forward is calculated or applied for recovery beyond the final Rate Year of the Term. For purposes of

**ATTACHMENT K**  
**CONTRACTOR'S COMPENSATION AND RATE SETTING PROCESS**

this Attachment K, the final Rate Year of the Term means Rate Year Twenty-Five (2035), or, if the Term is extended under Section 3.03.A of the Agreement, the last Rate Year of the mutually agreed Term. If the Term is extended for up to twelve (12) months under Section 3.03.B of the Agreement, no amounts may be deferred from or to that extension period.

If the amount of the Potential Cap Carry Forward is greater than ten percent (10%) of Adjusted Contractor's Compensation for the current Rate Year, the Parties shall meet and confer to discuss the Agency's plan to reduce the amount of the Cap Carry Forward with the goal of eliminating the Cap Carry Forward in the coming Rate Years.