



**A Public Agency**

# Attachment A

## Appendices

APPENDIX A – Recology 2026 Compensation Application Issued on August 29, 2025.

APPENDIX B – Member Agency Variance Analysis of Total Collection Cost and Rate Impact Comparing 2026 with 2025.

APPENDIX C – RethinkWaste’s Questions and Comments to Recology’s Compensation Application, and Recology’s Response.

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A Public Agency

APPENDIX A  
Recology 2026 Compensation  
Application Issued on August 29, 2025

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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 2026 Application for a Contractor's Compensation Adjustment per Section 11.04 of the Amended and Restated Franchise Agreements (Franchise Agreements) with the eleven RethinkWaste Member Agencies. The methods and format for this Application follow the processes described in Attachment K, Contractor's Compensation and Rate Setting Process.

Section 1 of this Application (Calculation of Contractor's Compensation for the 2026 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 \$79,067,010 and a 4.2% increase from 2025. When subtracting (\$115,121) for Incentives/Disincentives the Total Contractor's Compensation is \$78,951,890 and a 4.2% increase from Rate Year 2025.

Section 2 (Annual 2024 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 2024. The result was a surplus to Recology of \$4,757,699. The impact across the Member Agencies ranges from a shortfall of (\$113,972) for the County of San Mateo to a surplus of \$1,686,548 for the City of San Carlos. The following table provides the results of the 2024 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>2024 Surplus or (Shortfall)</u>	<u>Interest Due (to)/from Recology</u>	<u>Total</u>
Belmont	\$0	\$0	\$0
Burlingame	\$203,072	\$0	\$203,072
East Palo Alto	\$80,013	\$0	\$80,013
Foster City	\$484,559	\$0	\$484,559
Hillsborough	\$124,237	\$0	\$124,237
Menlo Park	\$1,436,442	\$0	\$1,436,442
North Fair Oaks	\$194,029	\$0	\$194,029
Redwood City	\$670,291	\$0	\$670,291
San Carlos	\$1,686,548	\$0	\$1,686,548
City of San Mateo	\$0	\$0	\$0
West Bay Sanitary District	(\$7,520)	(\$1,072)	(\$8,592)
County Franchised Area	(\$113,972)	(\$16,241)	(\$130,213)
<b>Total</b>	<b>\$4,757,699</b>	<b>(\$17,313)</b>	<b>\$4,740,386</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 2026 is an increase of \$3,158,173 or 4.2%. This total Contractor’s Compensation adjustment for the RethinkWaste service area as a whole is summarized in the table on the following page.

	Compensation - 2025	Compensation - 2026	Change	% Change
<b>Total Annual Cost of Operations</b>	<b>67,664,244</b>	<b>69,780,581</b>	<b>2,116,337</b>	<b>3.1%</b>
<b>Profit</b>	7,102,876	7,325,033	222,157	<b>3.1%</b>
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>74,767,120</b>	<b>77,105,614</b>	<b>2,338,494</b>	<b>3.1%</b>
<b>Total Contractor Pass-Through Costs</b>	<b>1,127,286</b>	<b>1,961,396</b>	<b>834,110</b>	74.0%
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>75,894,407</b>	<b>79,067,010</b>	<b>3,172,604</b>	<b>4.2%</b>
<b>Other Adjustments</b>				
<b>Incentive / Disincentives</b>	<u>(100,690)</u>	<u>(115,121)</u>	<u>(14,430)</u>	
<b>Total Other Adjustments</b>	<u>(100,690)</u>	<u>(115,121)</u>	<u>(14,430)</u>	
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>75,793,716</b>	<b>78,951,890</b>	<b>3,158,173</b>	<b>4.2%</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 2026 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 2026 increased by \$3,158,173 or 4.2%, to \$78,951,890 compared to the compensation approved for Rate Year 2025. This total cost adjustment for the RethinkWaste service area as a whole is summarized in **Table A** below.

**Table A**

	Compensation - 2025	Compensation - 2026	Change	% Change
<b>Total Annual Cost of Operations</b>	67,664,244	69,780,581	2,116,337	3.1%
<b>Profit</b>	7,102,876	7,325,033	222,157	3.1%
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	74,767,120	77,105,614	2,338,494	3.1%
<b>Total Contractor Pass-Through Costs</b>	1,127,286	1,961,396	834,110	74.0%
<b>BASE CONTRACTOR'S COMPENSATION</b>	75,894,407	79,067,010	3,172,604	4.2%
<b>Other Adjustments</b>				
<b>Incentive/Disincentive Payments</b>	(100,690)	(115,121)	(14,430)	
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	75,793,716	78,951,890	3,158,173	4.2%

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 2026</b>	Belmont	Burlingame	East 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	\$24,163,382	\$1,577,346	\$2,364,615	\$1,009,427	\$1,508,655	\$766,530	\$2,415,417	\$808,767	\$4,488,528	\$2,176,720	\$5,747,780	\$404,489	\$895,108
Benefits for CBAs	\$9,986,581	\$658,588	\$969,138	\$423,916	\$618,377	\$326,748	\$992,838	\$336,007	\$1,854,506	\$894,748	\$2,358,755	\$170,915	\$382,046
Payroll Taxes	\$1,957,234	\$127,765	\$191,534	\$81,764	\$122,201	\$62,089	\$195,649	\$65,510	\$363,571	\$176,314	\$465,570	\$32,764	\$72,504
Workers Compensation Insurance	\$1,731,281	\$113,081	\$169,147	\$72,470	\$108,126	\$54,878	\$172,795	\$57,933	\$321,617	\$155,926	\$412,060	\$29,005	\$64,242
<b>Total Direct Labor Related-Costs</b>	<b>\$37,838,478</b>	<b>\$2,476,779</b>	<b>\$3,694,433</b>	<b>\$1,587,577</b>	<b>\$2,357,359</b>	<b>\$1,210,245</b>	<b>\$3,776,699</b>	<b>\$1,268,217</b>	<b>\$7,028,223</b>	<b>\$3,403,709</b>	<b>\$8,984,165</b>	<b>\$637,172</b>	<b>\$1,413,899</b>
Direct Fuel Costs	\$3,482,690	\$182,001	\$321,059	\$153,181	\$222,723	\$121,963	\$373,070	\$116,914	\$651,257	\$330,703	\$814,342	\$61,927	\$133,552
Other Direct Costs	\$3,571,781	\$226,755	\$332,507	\$154,739	\$224,158	\$119,119	\$380,456	\$116,983	\$660,393	\$333,572	\$830,609	\$61,003	\$131,485
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	\$12,243,722	\$734,595	\$1,163,258	\$640,226	\$770,925	\$264,318	\$1,231,124	\$381,971	\$2,377,738	\$1,166,263	\$2,906,801	\$179,187	\$427,317
Operations	\$2,332,665	\$150,849	\$220,612	\$98,192	\$155,600	\$83,962	\$248,090	\$71,783	\$422,004	\$221,737	\$531,389	\$41,085	\$87,361
Vehicle Maintenance	\$4,458,274	\$288,308	\$421,642	\$187,668	\$297,389	\$160,471	\$474,160	\$137,195	\$806,550	\$423,792	\$1,015,609	\$78,523	\$166,967
Container Maintenance	\$1,653,374	\$104,485	\$159,195	\$83,315	\$111,466	\$40,190	\$174,378	\$50,674	\$304,327	\$151,823	\$389,058	\$25,879	\$58,584
<b>Total Allocated Indirect Costs</b>	<b>\$20,688,036</b>	<b>\$1,278,237</b>	<b>\$1,964,707</b>	<b>\$1,009,400</b>	<b>\$1,335,381</b>	<b>\$548,940</b>	<b>\$2,127,752</b>	<b>\$641,623</b>	<b>\$3,910,620</b>	<b>\$1,963,615</b>	<b>\$4,842,858</b>	<b>\$324,674</b>	<b>\$740,230</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>69,780,581</b>	<b>4,440,174</b>	<b>6,709,989</b>	<b>3,089,478</b>	<b>4,403,217</b>	<b>2,150,674</b>	<b>7,112,048</b>	<b>2,275,555</b>	<b>13,011,580</b>	<b>6,425,637</b>	<b>16,406,084</b>	<b>1,163,516</b>	<b>2,592,628</b>
<b>Profit</b>	<b>\$7,325,033</b>	<b>\$466,096</b>	<b>\$704,364</b>	<b>\$324,310</b>	<b>\$462,216</b>	<b>\$225,761</b>	<b>\$746,569</b>	<b>\$238,870</b>	<b>\$1,365,856</b>	<b>\$674,514</b>	<b>\$1,722,186</b>	<b>\$122,137</b>	<b>\$272,154</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>\$77,105,614</b>	<b>\$4,906,269</b>	<b>\$7,414,353</b>	<b>\$3,413,788</b>	<b>\$4,865,433</b>	<b>\$2,376,436</b>	<b>\$7,858,617</b>	<b>\$2,514,425</b>	<b>\$14,377,436</b>	<b>\$7,100,151</b>	<b>\$18,128,270</b>	<b>\$1,285,654</b>	<b>\$2,864,783</b>
<b>Contractor Pass-Through Costs</b>													
Interest Expense	\$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
Contract Changes to Specific Agencies	\$834,110								\$834,110				
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>\$79,067,010</b>	<b>\$4,979,948</b>	<b>\$7,523,531</b>	<b>\$3,463,051</b>	<b>\$4,936,867</b>	<b>\$2,413,226</b>	<b>\$7,982,899</b>	<b>\$2,550,146</b>	<b>\$15,416,584</b>	<b>\$7,206,426</b>	<b>\$18,380,451</b>	<b>\$1,305,523</b>	<b>\$2,908,357</b>
Incentives and Disincentives	(\$115,121)	(\$5,776)	(\$12,034)	(\$8,380)	(\$7,150)	(\$1,770)	(\$10,737)	(\$5,318)	(\$23,660)	(\$9,581)	(\$27,057)	(\$1,107)	(\$2,552)
<b>Total Contractor Adjustments</b>	<b>(\$115,121)</b>	<b>(\$5,776)</b>	<b>(\$12,034)</b>	<b>(\$8,380)</b>	<b>(\$7,150)</b>	<b>(\$1,770)</b>	<b>(\$10,737)</b>	<b>(\$5,318)</b>	<b>(\$23,660)</b>	<b>(\$9,581)</b>	<b>(\$27,057)</b>	<b>(\$1,107)</b>	<b>(\$2,552)</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$78,951,890</b>	<b>\$4,974,173</b>	<b>\$7,511,497</b>	<b>\$3,454,671</b>	<b>\$4,929,717</b>	<b>\$2,411,457</b>	<b>\$7,972,162</b>	<b>\$2,544,828</b>	<b>\$15,392,924</b>	<b>\$7,196,845</b>	<b>\$18,353,395</b>	<b>\$1,304,416</b>	<b>\$2,905,805</b>

**1.1.3. Cost Adjustment Process**

The first step in calculating Recology’s Rate Year 2026 Compensation Application is to adjust the RethinkWaste Board approved Rate Year 2025 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 2026 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>	2.33%	CPI-W-Wages: Series ID: CWURS49BSA0
<b>Direct Benefits</b>	1.48%	CPI-W-Medical: Series ID: CWURS49BSAM
<b>Workers Compensation Insurance</b>	2.33%	CPI-W-Wages: Series ID: CWURS49BSA0
<b>Direct Fuel Costs</b>	-4.52%	CPI-U Motor Fuel: Series ID: CUURS49BSETB
<b>Other Direct Costs</b>	2.44%	CPI-U: Series ID CUURS49BSA0
<b>Indirect Costs</b>	2.44%	CPI-U: Series ID CUURS49BSA0

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

**Table D**

RETHINKWASTE - CONTRACTOR COST ADJUSTMENT PROCESS							
2025 CONTRACTORS COMPENSATION			INDEX ADJUSTMENT		SERVICE LEVEL ADJUSTMENTS		2026 CONTRACTORS COMPENSATION
Direct Labor- Wages & Workers Comp		+	CPI-W-Wages	+	100% Change in 3-Year Rolling Average of 2022, 2023, 2024 vs. 2023, 2024, 2025.	=	Attachment N plus Adjustments
Direct Labor- Benefits		+	CPI-W-Medical	+	100% Change in 3-Year Rolling Average of 2022, 2023, 2024 vs. 2023, 2024, 2025.	=	Attachment N plus Adjustments
Direct Fuel Costs		+	CPI-U Motor Fuel	+	100% Change in 3-Year Rolling Average of 2022, 2023, 2024 vs. 2023, 2024, 2025.	=	Attachment N plus Adjustments
Other Direct Costs		+	CPI-U	+	100% Change in 3-Year Rolling Average of 2022, 2023, 2024 vs. 2023, 2024, 2025.	=	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 2022, 2023, 2024 vs. 2023, 2024, 2025.	=	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>2025 CONTRACTORS COMPENSATION</b>		+	<b>Total of all Costs Above</b>		+	<b>Total of all Costs Above</b>	
					=	<b>2026 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 \$1,211,358 or 3.3%, from the approved 2025 costs. The four specific costs that comprise the Direct Labor cost category changes compared to 2025 are as follows:

- 1) Wages for CBAs increase \$847,148 or 3.6%. Of that increase \$543,830 is the annual CPI index change, \$303,318 is the result of the service level adjustment.
- 2) Benefits for CBAs increase \$235,012 or 2.4%. Of that increase \$144,409 is the annual CPI index change, \$90,602 is the result of the service level adjustment.
- 3) Payroll tax expense increased \$68,619 or 3.6% due to the changes of Wages for CBA's.
- 4) Workers' Compensation Insurance increase \$60,579 or 3.6%. Of that increase \$38,968 is the annual CPI index change, \$21,612 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 (\$110,245) or (3.1%), from the approved Rate Year 2025 costs. Of that change, (\$162,536) is due to the annual CPI index change, \$52,290 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 \$132,698 or 3.9%, from the approved 2025 costs. Of that increase, \$83,871 is the annual CPI index change, \$48,827 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 2025.

**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 \$882,526 or 4.5%, from the approved Rate Year 2025 costs. Of that increase, \$483,010 is due to the annual CPI index change, \$399,516 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 2025.

**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 3.1% or \$2,116,337 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 2026 of 3.1% or \$222,157.

**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 2026), Interest Expense on capital for trucks and equipment and Contract Changes to Specific Agencies. \$834,110 has been added to the City of Redwood City's costs under Contract Changes to Specific Agencies for Recology taking over billing services from the City on January 1, 2026. Contractor Pass-Through Costs for Rate Year 2026 are \$1,961,396.

**Table E**

<b>Total RethinkWaste</b>	<b>Compensation 2025</b>	<b>Compensation 2026</b>	<b>Change</b>	<b>% Change</b>
<b>Annual Cost of Operations</b>				
Direct Labor-Related Costs				
Wages for CBAs	23,316,234	24,163,382	847,148	3.6%
Benefits for CBAs	9,751,569	9,986,581	235,012	2.4%
Payroll Taxes	1,888,615	1,957,234	68,619	3.6%
Workers Compensation Insurance	1,670,702	1,731,281	60,579	3.6%
<b>Total Direct Labor Related-Costs</b>	<b>36,627,120</b>	<b>37,838,478</b>	<b>1,211,358</b>	<b>3.3%</b>
Direct Fuel Costs	3,592,936	3,482,690	(110,245)	-3.1%
Other Direct Costs	3,439,083	3,571,781	132,698	3.9%
Depreciation				
- Collection Vehicles	2,943,932	2,943,932	-	0.0%
- Containers	1,141,479	1,141,479	-	0.0%
<b>Total Depreciation</b>	<b>4,085,411</b>	<b>4,085,411</b>	<b>-</b>	<b>0.0%</b>
	-			
Allocated Indirect Costs				
General and Administrative	11,704,636	12,243,722	539,086	4.6%
Operations	2,237,464	2,332,665	95,201	4.3%
Vehicle Maintenance	4,276,323	4,458,274	181,951	4.3%
Container Maintenance	1,587,087	1,653,374	66,287	4.2%
<b>Total Allocated Indirect Costs</b>	<b>19,805,511</b>	<b>20,688,036</b>	<b>882,526</b>	<b>4.5%</b>
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>67,664,244</b>	<b>69,780,581</b>	<b>2,116,337</b>	<b>3.1%</b>
<b>Profit</b>	<b>7,102,876</b>	<b>7,325,033</b>	<b>222,157</b>	<b>3.1%</b>
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>74,767,120</b>	<b>77,105,614</b>	<b>2,338,494</b>	<b>3.1%</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	-	834,110	834,110	100.0%
Other Adjustments	-	-	-	0.0%
<b>Total Contractor Pass-Through Costs</b>	<b>1,127,286</b>	<b>1,961,396</b>	<b>834,110</b>	<b>74.0%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>75,894,407</b>	<b>79,067,010</b>	<b>3,172,604</b>	<b>4.2%</b>
<b>Other Adjustments</b>				
<b>Incentive / Disincentives</b>	<b>(100,690)</b>	<b>(115,121)</b>	<b>(14,430)</b>	<b>14.3%</b>
<b>Total Other Adjustments</b>	<b>(100,690)</b>	<b>(115,121)</b>	<b>(14,430)</b>	<b>14.3%</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>75,793,716</b>	<b>78,951,890</b>	<b>3,158,173</b>	<b>4.2%</b>

**1.2. SPECIFIC ISSUES FOR RATE YEAR 2026**

**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 2024 was a disincentive payment from Recology of \$115,121. **Table F** (below) provides a breakdown by Member Agency.

**Table F**

<b>Performance Incentive/Disincentive Payments 2024</b>					
	<b>Performance Incentives and Disincentives</b>				
<b>Member Agency</b>	<b>SFD and Commercial Missed P/U Events</b>	<b>Average Speed of Answer</b>	<b>90 Second Max Hold Time</b>	<b>Diversion</b>	<b>Maximum Incentives and Disincentives<sup>1</sup></b>
Belmont	\$1,232	\$9,291	\$4,380	(\$3,732)	\$5,776
Burlingame	\$1,736	\$21,059	\$9,927	(\$8,458)	\$12,034
East Palo Alto	\$1,064	\$14,961	\$7,053	(\$6,009)	\$8,380
Foster City	\$784	\$13,018	\$6,137	(\$5,228)	\$7,150
Hillsborough	\$112	\$3,390	\$1,598	(\$1,362)	\$1,770
Menlo Park	\$1,344	\$19,209	\$9,055	(\$7,715)	\$10,737
North Fair Oaks	\$1,736	\$7,324	\$3,453	(\$2,941)	\$5,318
Redwood City	\$2,128	\$44,032	\$20,756	(\$17,684)	\$23,660
San Carlos	\$1,848	\$15,815	\$7,455	(\$6,351)	\$9,581
San Mateo	\$2,856	\$49,489	\$23,329	(\$19,876)	\$27,057
County Franchised Area	\$168	\$4,875	\$2,298	(\$1,958)	\$2,552
WBSD	\$112	\$2,034	\$959	(\$817)	\$1,107
<b>Total</b>	<b>\$15,121</b>	<b>\$204,497</b>	<b>\$96,399</b>	<b>(\$82,130)</b>	<b>\$115,121</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 RethinkWaste 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 RethinkWaste 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.

#### **1.3.3 Cap Carry Forward**

City of San Mateo notified Recology of their intent to use the Cap Carry Forward provision included in their franchise agreement for Recology compensation above 5% and remitted \$400,000 to Recology in August 2025 to reduce the City's balancing account with Recology. \$236,300 has been applied to their 2024 shortfall balance and the remaining will be considered in Recology's 2025 Revenue Reconciliation which is to be submitted by March 31, 2026.

## **2. ANNUAL REVENUE RECONCILIATION**

### **2.1. REVENUE RECONCILIATION FOR 2024 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 2024 Revenue Reconciliation was submitted on May 6, 2025 and is being audited by a third-party firm hired by the RethinkWaste. The submitted results, are included in Recology's Rate Year 2026 Total Compensation.

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

**Table G**

2024 REVENUE RECONCILIATION PROCESS	
January 1, 2024 <sup>1</sup>	December 31, 2024
Approved 2024 Recology Compensation	2024 Actual Revenue Billed
+↓	-↓
2024 <u>Estimated</u> Disposal Expense	2024 <u>Actual</u> Disposal <sup>2</sup> Expense Paid to RethinkWaste
+↓	-↓
2024 <u>Estimated</u> Agency Fees	2024 <u>Actual</u> Agency Fees Paid to Agency
+↓	-↓
Prior Period Surplus/Shortfall	Approved 2024 Recology Compensation
=↓	=↓
2024 Approved Revenue Requirement	<u>Actual</u> Revenue Surplus/Shortfall Applied to 2026 Rates
<p><sup>1</sup> RethinkWaste 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 2024.

The Revenue Reconciliation Report for Rate Year 2024 submitted by Recology on May 6, 2025 finds that Member Agencies in total have a surplus balance with Recology of \$4,521,399. However, subsequent shortfall payment changed the balance to \$4,757,699. City of San Mateo remitted \$400,000 to Recology in August 2025 to reduce the City's balancing account with Recology. \$236,300 has been applied to their 2024 shortfall balance and the remaining will be considered in Recology's 2025 Revenue Reconciliation which is to be submitted by March 31, 2026. (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, 2025) 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 RethinkWaste 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 RethinkWaste for that Rate Year demonstrates that Net Revenues Billed were less than the approved Contractor's Compensation contained in the RethinkWaste 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 RethinkWaste 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 RethinkWaste, which can be found in Section 8.5.

The Prime Rate this year is 8.50%. Therefore, interest is calculated at 9.50%. For Rate Year 2026, West Bay Sanitary District and the County Franchised Area had interest charges.

**Recology San Mateo County**  
**Rate Year 2026 Revised Application for Contractor's Compensation Adjustment**

**August 29, 2025**

**Table H**

Recology San Mateo County  
 Revenue Reconciliation and Interest  
 Rate Year 2024

	<u>Belmont</u>	<u>Burlingame</u>	<u>E Palo Alto</u>	<u>Foster City</u>	<u>Hillsborough</u>	<u>Menlo Park</u>	<u>North Fair Oaks</u>	<u>Redwood City</u>	<u>San Carlos</u>	<u>San Mateo</u>	<u>West Bay</u>	<u>County Franchised Area</u>	<u>Member Agency Total</u>
Gross Revenue Billed	\$ 9,761,350	13,953,977	6,910,011	7,717,987	4,102,791	16,089,995	3,871,892	25,786,350	12,213,867	31,788,456	2,122,651	4,351,281	138,670,608
Plus:													
Member agency payment to Recology for 2024										43,878			43,878
Less:													
Pass-Through Costs	(4,902,056)	(6,744,418)	(3,653,204)	(3,292,424)	(1,882,961)	(7,751,828)	(1,668,048)	(12,614,281)	(5,012,376)	(14,884,974)	(850,049)	(1,649,442)	(64,906,061)
Unscheduled and Intermittent Services	<u>(175,478)</u>	<u>(315,375)</u>	<u>(179,275)</u>	<u>(67,962)</u>	<u>(29,804)</u>	<u>(314,171)</u>	<u>(67,066)</u>	<u>(497,522)</u>	<u>(222,493)</u>	<u>(788,017)</u>	<u>(29,846)</u>	<u>(30,024)</u>	<u>(2,717,033)</u>
Net Revenue Billed	4,683,816	6,894,184	3,077,532	4,357,601	2,190,026	8,023,996	2,136,778	12,674,547	6,978,998	16,159,343	1,242,756	2,671,815	71,091,392
Approved Contractor's Compensation	4,683,816	6,981,607	3,244,081	4,480,797	2,315,831	7,628,551	2,389,350	13,556,463	6,790,939	17,045,400	1,250,276	2,796,917	73,164,028
Cap Carry Forward							(65,395)	(368,527)		(492,047)		(11,130)	(937,099)
Contractor's Compensation for rate setting purpose	4,683,816	6,981,607	3,244,081	4,480,797	2,315,831	7,628,551	2,323,955	13,187,936	6,790,939	16,553,353	1,250,276	2,785,787	72,226,929
2022													
2022 (Surplus)/Shortfall	—	(290,495)	(246,562)	(607,755)	(250,042)	(1,040,997)	(381,206)	(1,183,680)	(1,498,489)	(157,710)	(317,824)	96,240	(5,878,520)
Interest on 2022 Shortfall	—	—	—	—	—	—	—	—	—	—	—	—	—
2022 (Surplus)/Shortfall before Payments	—	(290,495)	(246,562)	(607,755)	(250,042)	(1,040,997)	(381,206)	(1,183,680)	(1,498,489)	(157,710)	(317,824)	96,240	(5,878,520)
2022 Surplus Paid to Member Agencies	—	—	—	—	—	—	—	—	—	—	317,824	—	317,824
2022 Shortfall Paid to Recology	—	—	—	—	—	—	—	—	—	—	—	(96,240)	(96,240)
Adjusted 2022 (Surplus)/Shortfall	—	(290,495)	(246,562)	(607,755)	(250,042)	(1,040,997)	(381,206)	(1,183,680)	(1,498,489)	(157,710)	—	—	(5,656,936)
Total Due Recology San Mateo County for Rate Year 2024	4,683,816	6,691,112	2,997,519	3,873,042	2,065,789	6,587,554	1,942,749	12,004,256	5,292,450	16,395,643	1,250,276	2,785,787	66,569,993
Surplus/(Shortfall) for Rate Year 2024	\$ —	203,072	80,013	484,559	124,237	1,436,442	194,029	670,291	1,686,548	(236,300)	(7,520)	(113,972)	4,521,399

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 RethinkWaste report approved by the RethinkWaste Board. Interest is applied to 50% of the difference during the rate year in which the difference occurred (2024) because the difference occurs throughout the year and to 100% of the difference in the immediately following year (2025) because the difference exists the entire year. The interest applied to both years is the prime rate in effect when the RethinkWaste issued the report for that year plus one percent (1%). The prime rate for Rate Year 2024 is 8.5%.

### **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 2026. Per the Amended and Restated Franchise Agreement, the Parties agreed that the projected Rate Year 2025 Contractor's Compensation for each Member Agency shall be used as the basis for determining each Member Agency's share of adjusted 2025 Contractor's Compensation for Rate Year Fifteen (2025), 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 RethinkWaste service area. Each cost category is broken out with Rate Year 2025 costs, Rate Year 2026 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 2026 Total Compensation, including special and one-time adjustments by Member Agency. At the bottom of the table is a comparison to the Rate Year 2025 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 2026.



**A Public Agency**

## APPENDIX B

# Member Agency Variance Analysis of Total Collection Cost and Rate Impact Comparing 2026 with 2025

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 8/9/2025	Burlingame				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$15,276,334			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$15,276,334				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$607,251		-4.0%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$7,277,594	\$7,523,531	\$245,937	3.4%	1.6%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$10,490)	(\$12,034)	(\$1,544)	-14.7%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$7,267,104</b>	<b>\$7,511,497</b>	<b>\$244,393</b>	<b>3.4%</b>	<b>1.6%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$5,030,367	\$5,285,562	\$255,195	5.1%	1.7%
Agency Franchise & Other Fees	\$2,371,613	\$2,371,613	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$7,401,980</b>	<b>\$7,657,175</b>	<b>\$255,195</b>	<b>3.4%</b>	<b>1.7%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$14,669,084</b>	<b>\$15,168,672</b>	<b>\$499,588</b>	<b>3.4%</b>	<b>3.3%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>\$607,251</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>\$107,663</b>			
<b>Required Revenue Adjustment</b>		<b>-0.7%</b>			<b>-0.7%</b>
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	E Palo Alto				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$7,169,539			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$7,169,539				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$38,236)		0.5%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$3,369,900	\$3,463,051	\$93,151	2.8%	1.3%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$7,310)	(\$8,380)	(\$1,070)	-14.6%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$3,362,590</b>	<b>\$3,454,671</b>	<b>\$92,082</b>	<b>2.7%</b>	<b>1.3%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$2,972,990	\$3,125,637	\$152,647	5.1%	2.1%
Agency Franchise & Other Fees	\$872,196	\$872,196	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$3,845,186</b>	<b>\$3,997,833</b>	<b>\$152,647</b>	<b>4.0%</b>	<b>2.1%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$7,207,776</b>	<b>\$7,452,504</b>	<b>\$244,728</b>	<b>3.4%</b>	<b>3.4%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$38,236)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$282,964)</b>			
<b>Required Revenue Adjustment</b>		<b>3.9%</b>			<b>3.9%</b>
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	Foster City				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$8,113,496			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$8,113,496				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$32,758)		0.4%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$4,708,801	\$4,936,867	\$228,065	4.8%	2.8%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$6,436)	(\$7,150)	(\$714)	-11.1%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$4,702,365</b>	<b>\$4,929,717</b>	<b>\$227,351</b>	<b>4.8%</b>	<b>2.8%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$2,934,296	\$3,083,362	\$149,066	5.1%	1.8%
Agency Franchise & Other Fees	\$509,593	\$513,403	\$3,810	0.7%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$3,443,889</b>	<b>\$3,596,765</b>	<b>\$152,876</b>	<b>4.4%</b>	<b>1.9%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$8,146,255</b>	<b>\$8,526,482</b>	<b>\$380,227</b>	<b>4.7%</b>	<b>4.7%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$32,758)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$412,986)</b>			
<b>Required Revenue Adjustment</b>		<b>5.1%</b>			<b>5.1%</b>

All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	Hillsborough				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$4,273,929			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$4,273,929				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$22,270)		0.5%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,369,351	\$2,413,226	\$43,876	1.9%	1.0%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$1,661)	(\$1,770)	(\$109)	-6.6%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$2,367,690</b>	<b>\$2,411,457</b>	<b>\$43,767</b>	<b>1.8%</b>	<b>1.0%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,537,261	\$1,617,104	\$79,843	5.2%	1.9%
Agency Franchise & Other Fees	\$391,248	\$391,248	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$1,928,509</b>	<b>\$2,008,352</b>	<b>\$79,843</b>	<b>4.1%</b>	<b>1.9%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$4,296,199</b>	<b>\$4,419,809</b>	<b>\$123,610</b>	<b>2.9%</b>	<b>2.9%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$22,270)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$145,880)</b>			
<b>Required Revenue Adjustment</b>			<b>3.4%</b>		<b>3.4%</b>
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	Menlo Park				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$16,876,638			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$16,876,638				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$577,221		-3.4%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$7,839,354	\$7,982,899	\$143,546	1.8%	0.9%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$9,547)	(\$10,737)	(\$1,191)	-12.5%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$7,829,807</b>	<b>\$7,972,162</b>	<b>\$142,355</b>	<b>1.8%</b>	<b>0.8%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$5,819,805	\$6,115,698	\$295,893	5.1%	1.8%
Agency Franchise & Other Fees	\$2,649,805	\$2,649,805	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$8,469,610</b>	<b>\$8,765,503</b>	<b>\$295,893</b>	<b>3.5%</b>	<b>1.8%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$16,299,417</b>	<b>\$16,737,665</b>	<b>\$438,248</b>	<b>2.7%</b>	<b>2.6%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	\$577,221				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		\$138,974			
<b>Required Revenue Adjustment</b>			-0.8%		-0.8%
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	North Fair Oaks				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$4,382,353			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$4,293,868				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$131,756		-3.0%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,474,485	\$2,550,146	\$75,661	3.1%	1.7%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$3,568)	(\$5,318)	(\$1,750)	-49.0%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$2,470,917</b>	<b>\$2,544,828</b>	<b>\$73,911</b>	<b>3.0%</b>	<b>1.7%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,577,915	\$1,658,812	\$80,896	5.1%	1.8%
Agency Franchise & Other Fees	\$201,765	\$201,765	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$1,779,680</b>	<b>\$1,860,576</b>	<b>\$80,896</b>	<b>4.5%</b>	<b>1.8%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$4,250,597</b>	<b>\$4,405,405</b>	<b>\$154,808</b>	<b>3.6%</b>	<b>3.5%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	\$43,271				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$23,052)			
<b>Required Revenue Adjustment</b>			0.5%		0.5%

All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	Redwood City				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$27,250,519			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$27,232,641				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$323,600)		1.2%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$14,067,063	\$15,416,584	\$1,349,522	9.6%	5.0%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$21,457)	(\$23,660)	(\$2,202)	-10.3%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$14,045,605</b>	<b>\$15,392,924</b>	<b>\$1,347,319</b>	<b>9.6%</b>	<b>4.9%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$9,743,347	\$10,239,238	\$495,891	5.1%	1.8%
Agency Franchise & Other Fees	\$3,785,167	\$3,787,608	\$2,440	0.1%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$13,528,514</b>	<b>\$14,026,846</b>	<b>\$498,331</b>	<b>3.7%</b>	<b>1.8%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$27,574,120</b>	<b>\$29,419,770</b>	<b>\$1,845,651</b>	<b>6.7%</b>	<b>6.8%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$341,479)</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$2,169,251)</b>			
<b>Required Revenue Adjustment</b>		<b>8.0%</b>			<b>8.0%</b>
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	San Carlos				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$12,635,859			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$12,635,859				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$354,004		-2.8%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$7,014,104	\$7,206,426	\$192,322	2.7%	1.5%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$7,695)	(\$9,581)	(\$1,886)	-24.5%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$7,006,409</b>	<b>\$7,196,845</b>	<b>\$190,436</b>	<b>2.7%</b>	<b>1.5%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$3,638,456	\$3,824,606	\$186,149	5.1%	1.5%
Agency Franchise & Other Fees	\$1,636,990	\$1,636,990	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$5,275,446</b>	<b>\$5,461,596</b>	<b>\$186,149</b>	<b>3.5%</b>	<b>1.5%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$12,281,855</b>	<b>\$12,658,441</b>	<b>\$376,585</b>	<b>3.1%</b>	<b>3.0%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>\$354,004</b>				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$22,582)</b>			
<b>Required Revenue Adjustment</b>		<b>0.2%</b>			<b>0.2%</b>
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	San Mateo				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$34,305,904			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$33,743,034				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$1,063,292		-3.1%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$17,768,416	\$18,380,451	\$612,036	3.4%	1.8%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$24,633)	(\$27,057)	(\$2,423)	-9.8%	0.0%
<b>Total Contractor's Compensation</b>	\$17,743,782	\$18,353,395	\$609,612	3.4%	1.8%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$11,034,402	\$11,597,086	\$562,684	5.1%	1.6%
Agency Franchise & Other Fees	\$4,464,428	\$4,628,703	\$164,274	3.7%	0.5%
<b>Subtotal Other Pass-Through Costs</b>	\$15,498,830	\$16,225,789	\$726,959	4.7%	2.1%
<b>TOTAL REVENUE REQUIREMENT</b>	\$33,242,613	\$34,579,184	\$1,336,571	4.0%	3.9%
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	\$500,421				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$273,280)			
<b>Required Revenue Adjustment</b>		0.8%			0.8%
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	West Bay				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$2,207,852			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$2,207,852				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$17,157		-0.8%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$1,280,730	\$1,305,523	\$24,793	1.9%	1.1%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$1,013)	(\$1,107)	(\$94)	-9.2%	0.0%
<b>Total Contractor's Compensation</b>	\$1,279,717	\$1,304,416	\$24,699	1.9%	1.1%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$784,315	\$824,951	\$40,636	5.2%	1.8%
Agency Franchise & Other Fees	\$126,662	\$126,662	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	\$910,977	\$951,613	\$40,636	4.5%	1.8%
<b>TOTAL REVENUE REQUIREMENT</b>	\$2,190,694	\$2,256,029	\$65,335	3.0%	3.0%
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	\$17,157				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$48,178)			
<b>Required Revenue Adjustment</b>		2.2%			2.2%
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/9/2025	Unincorporated County				
	2026 Variance				
	2025 Estimated	2026 Estimated	2026 vs. 2025 Change	2026 vs. 2025 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$4,767,513			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$4,767,513				
<b>2024 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$138,726		-2.9%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,854,177	\$2,908,357	\$54,180	1.9%	1.1%
Agency Specific Contract Changes	\$0	\$0	\$0	0.0%	0.0%
Incentives / Disincentives	(\$2,392)	(\$2,552)	(\$159)	-6.7%	0.0%
<b>Total Contractor's Compensation</b>	<b>\$2,851,784</b>	<b>\$2,905,805</b>	<b>\$54,021</b>	<b>1.9%</b>	<b>1.1%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,548,549	\$1,628,737	\$80,188	5.2%	1.7%
Agency Franchise & Other Fees	\$228,454	\$228,454	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$1,777,003</b>	<b>\$1,857,191</b>	<b>\$80,188</b>	<b>4.5%</b>	<b>1.7%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$4,628,788</b>	<b>\$4,762,996</b>	<b>\$134,209</b>	<b>2.9%</b>	<b>2.8%</b>
<b>2024 Estimated Surplus / &lt;Shortfall&gt;</b>	\$138,726				
<b>2025 Estimated Surplus / &lt;Shortfall&gt;</b>		\$4,517			
<b>Required Revenue Adjustment</b>		-0.1%			-0.1%
All numbers above are current estimates except 2025 Contractor's (Recology) Compensation which is final and 2026 Contractor's Compensation which is subject to Board Approval.					



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## APPENDIX C

RethinkWaste'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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**RethinkWaste Questions and Comments on Recology’s Rate Year 2026 Application for Contractor’s Compensation Adjustment**

The following provides the RethinkWaste questions on Recology’s 2026 Contractors Compensation Application (CCA).

1. Allocation of Cost Increases by Agency – Can 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	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 2026, 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 2023 Revenue Reconciliation.

Since the final 2023 revenue reconciliation, Recology received a payment from city of Burlingame in

the amount of \$168,336 for its shortfall balance of RY 2023, and a payment from city of San Mateo in the amount of \$1,000,000, out of which \$956,122 was for the shortfall balance of RY 2023 and the remaining \$43,878 was applied toward RY 2024.

3. Attachment N – Can you explain the increase in lifts for North Fair Oaks Agency Facilities Recycling Materials from 2023 to 2024?

In 2024, North Fair Oaks added 32-gallon recycling carts on Middlefield Road with frequencies from one time per week to three times per week.



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APPENDIX D  
Attachment K, Section 5 –  
Possible Carry Forward of Annual  
Compensation Adjustment Above 5%

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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.



**A Public Agency**

APPENDIX E  
Recology Compensation by MA with  
Cap Carry Forward Calculation

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Appendix E

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**CONTRACTOR'S TOTAL COMPENSATION - BY MEMBER AGENCY**

	Burlingame	East 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	\$2,364,615	\$1,009,427	\$1,508,655	\$766,530	\$2,415,417	\$808,767	\$4,488,528	\$2,176,720	\$5,747,780	\$404,489	\$895,108
Benefits for CBAs	\$969,138	\$423,916	\$618,377	\$326,748	\$992,838	\$336,007	\$1,854,506	\$894,748	\$2,358,755	\$170,915	\$382,046
Payroll Taxes	\$191,534	\$81,764	\$122,201	\$62,089	\$195,649	\$65,510	\$363,571	\$176,314	\$465,570	\$32,764	\$72,504
Workers Compensation Insurance	\$169,147	\$72,470	\$108,126	\$54,878	\$172,795	\$57,933	\$321,617	\$155,926	\$412,060	\$29,005	\$64,242
Total Direct Labor Related-Costs	\$3,694,433	\$1,587,577	\$2,357,359	\$1,210,245	\$3,776,699	\$1,268,217	\$7,028,223	\$3,403,709	\$8,984,165	\$637,172	\$1,413,899
Direct Fuel Costs	\$321,059	\$153,181	\$222,723	\$121,963	\$373,070	\$116,914	\$651,257	\$330,703	\$814,342	\$61,927	\$133,552
Other Direct Costs	\$332,507	\$154,739	\$224,158	\$119,119	\$380,456	\$116,983	\$660,393	\$333,572	\$830,609	\$61,003	\$131,485
Depreciation											
- Collection Vehicles	\$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	\$52,636	\$73,460	\$37,043	\$113,697	\$36,566	\$209,708	\$105,767	\$258,681	\$22,873	\$51,406
Total Depreciation	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	\$1,163,258	\$640,226	\$770,925	\$264,318	\$1,231,124	\$381,971	\$2,377,738	\$1,166,263	\$2,906,801	\$179,187	\$427,317
Operations	\$220,612	\$98,192	\$155,600	\$83,962	\$248,090	\$71,783	\$422,004	\$221,737	\$531,389	\$41,085	\$87,361
Vehicle Maintenance	\$421,642	\$187,668	\$297,389	\$160,471	\$474,160	\$137,195	\$806,550	\$423,792	\$1,015,609	\$78,523	\$166,967
Container Maintenance	\$159,195	\$83,315	\$111,466	\$40,190	\$174,378	\$50,674	\$304,327	\$151,823	\$389,058	\$25,879	\$58,584
Total Allocated Indirect Costs	\$1,964,707	\$1,009,400	\$1,335,381	\$548,940	\$2,127,752	\$641,623	\$3,910,620	\$1,963,615	\$4,842,858	\$324,674	\$740,230
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
<b>Total Annual Cost of Operations</b>	6,709,989	3,089,478	4,403,217	2,150,674	7,112,048	2,275,555	13,011,580	6,425,637	16,406,084	1,163,516	2,592,628
<b>Profit</b>	\$704,364	\$324,310	\$462,216	\$225,761	\$746,569	\$238,870	\$1,365,856	\$674,514	\$1,722,186	\$122,137	\$272,154
<b>Operating Ratio</b>	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%
<b>Total Operating Cost</b>	\$7,414,353	\$3,413,788	\$4,865,433	\$2,376,436	\$7,858,617	\$2,514,425	\$14,377,436	\$7,100,151	\$18,128,270	\$1,285,654	\$2,864,783
<b>Contractor Pass-Through Costs</b>											
Interest Expense	\$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							\$834,110				
Other Adjustments											
<b>BASE CONTRACTOR'S COMPENSATION</b>	\$7,523,531	\$3,463,051	\$4,936,867	\$2,413,226	\$7,982,899	\$2,550,146	\$15,416,584	\$7,206,426	\$18,380,451	\$1,305,523	\$2,908,357
Incentives and Disincentives	(\$12,034)	(\$8,380)	(\$7,150)	(\$1,770)	(\$10,737)	(\$5,318)	(\$23,660)	(\$9,581)	(\$27,057)	(\$1,107)	(\$2,552)
<b>Total Contractor Adjustments</b>	(\$12,034)	(\$8,380)	(\$7,150)	(\$1,770)	(\$10,737)	(\$5,318)	(\$23,660)	(\$9,581)	(\$27,057)	(\$1,107)	(\$2,552)
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	\$7,511,497	\$3,454,671	\$4,929,717	\$2,411,457	\$7,972,162	\$2,544,828	\$15,392,924	\$7,196,845	\$18,353,395	\$1,304,416	\$2,905,805
<b>Prior Year's Surplus/Shortfall to/from Recology</b>											
Revenue Reconciliation 2024 (Surplus)/Shortfall	(\$203,072)	(\$80,013)	(\$484,559)	(\$124,237)	(\$1,436,442)	(\$194,029)	(\$670,291)	(\$1,686,548)	\$0	\$7,520	\$113,972
Interest on 2024 (Surplus)/Shortfall	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,072	\$16,241
<b>Sub-Total</b>	(\$203,072)	(\$80,013)	(\$484,559)	(\$124,237)	(\$1,436,442)	(\$194,029)	(\$670,291)	(\$1,686,548)	\$0	\$8,592	\$130,213
<b>TOTAL BALANCE TO CONTRACTOR 2026</b>	\$7,308,425	\$3,374,658	\$4,445,158	\$2,287,220	\$6,535,720	\$2,350,799	\$14,722,633	\$5,510,297	\$18,353,395	\$1,313,008	\$3,036,018
<b>TOTAL BALANCE TO CONTRACTOR - 2025</b>	\$7,267,104	\$3,254,346	\$4,384,515	\$2,148,167	\$7,215,755	\$2,436,113	\$13,761,895	\$6,456,869	\$17,743,782	\$1,231,617	\$2,840,079
Change in Contractor's Compensation	\$41,321	\$120,313	\$60,642	\$139,053	(\$680,035)	(\$85,314)	\$960,738	(\$946,572)	\$609,612	\$81,391	\$195,939
Percentage Change in Compensation	0.57%	3.70%	1.38%	6.47%	-9.42%	-3.50%	6.98%	-14.66%	3.44%	6.61%	6.90%
<b>CALCULATION OF COMPENSATION ABOVE 5%</b>											
<b>Adjusted Contractor's Compensation 2026</b>	\$7,523,531	\$3,463,051	\$4,936,867	\$2,413,226	\$7,982,899	\$2,550,146	\$14,582,474	\$7,206,426	\$18,380,451	\$1,305,523	\$2,908,357
Prior Year Compensation Cap Reductions									\$331,333		
<b>Adjusted Contractor's Compensation 2026</b>	\$7,523,531	\$3,463,051	\$4,936,867	\$2,413,226	\$7,982,899	\$2,550,146	\$14,582,474	\$7,206,426	\$18,711,785	\$1,305,523	\$2,908,357
<b>Adjusted Contractor's Compensation 2025</b>	\$7,277,594	\$3,369,900	\$4,708,801	\$2,369,351	\$7,839,354	\$2,539,880	\$14,435,590	\$7,014,104	\$18,260,463	\$1,280,730	\$2,865,307
Difference	\$245,937	\$93,151	\$228,066	\$43,876	\$143,546	\$10,266	\$146,885	\$192,322	\$451,322	\$24,793	\$43,050
<b>Contractor's Compensation Cap Amount 2026</b>	\$363,880	\$168,495	\$235,440	\$118,468	\$391,968	\$126,994	\$721,779	\$350,705	\$913,023	\$64,037	\$143,265
Amount in Excess of Cap Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Cost Adjustment Calculations in Total and by Member Agency**

**4.3 Contractor's Total Compensation - By Member Agency**

RETHINKWASTE TAC PACKET 09/11/2025