



A Public Agency

OLD BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Marshall Moran, Finance Manager
Cliff Feldman, Recycling Program Manager
Date: March 17, 2014 Board of Directors Meeting
Subject: Resolution Clarifying Interest Calculations for Rate Revenue Surplus/Shortfall Calculated as part of Annual Contractor Compensation Adjustment Process

Recommendation

It is recommended that the SBWMA Board of Directors approve **Resolution No. 2014-06** attached hereto authorizing the following action:

1. Approve the Memorandum of Understanding with Recology San Mateo County Establishing Expectations Regarding Future Interest Calculations on Surplus Revenue.

Analysis

During the 2014 Recology San Mateo County (Recology) compensation adjustment process concluded in September 2013, it became apparent that several Member Agencies had large balances of surplus revenue with Recology. At that time, SBWMA staff stated that the Franchise Agreement(s) did not intend for Recology to act as a "bank" and allow Recology to retain Member Agencies revenue surpluses and earn interest at the 4.25% rate set forth in the Franchises. Subsequently, a discussion with Recology centered on the need to develop an understanding of how revenue surpluses would be handled in the future.

Both Recology and SBWMA staff previously shared a common understanding that Recology would pay interest on surplus revenue or be paid (by the Member Agency) interest on shortfalls. However, Section 11.07 of the Franchise Agreement(s), clearly states that interest is only calculated on a balance owed to Recology. It does not require Recology to pay interest when Member Agencies have a surplus revenue balance. Based on Recology and SBWMA's understanding, the company included an interest charge on shortfalls and interest credit on surpluses when they submitted the 2011 Revenue Reconciliation Report in March 2012. In addition, the Recology 2012 Revenue Reconciliation Report submitted in March 2013 took the same approach.

SBWMA staff and Recology met on January 28, 2014 to discuss this interest issue and how it should be resolved. This approach was presented to the Board at the February 27, 2014 Board meeting. The attached Memorandum of Understanding (MOU) has been agreed upon with Recology and is presented for Board approval (**Exhibit A**). If approved, this MOU shall become effective for the 2013 Revenue Reconciliation Report due on March 31, 2014 and all future Revenue Reconciliation Reports. The key points in the MOU are summarized as follows:

- Recology has agreed to waive the recovery of any interest paid to a Member Agency on a surplus for both 2011 and 2012 (see **Table 1** for 2011 and 2012 history). **Table 2** provides an estimate for the 2013 Revenue Reconciliation.
- If a Member Agency adopts rates lower than recommended, or rates are implemented late, interest would be owed to Recology on a shortfall as specified in the Franchise Agreement.
- If a Member Agency adopts rates at or above the recommended rate adjustment approved by the Board, no interest would be owed to Recology even if there is a shortfall.

Table 1 - Summary of Revenue Reconciliation - 2011 and 2012														
	Member Agency Total	Atherton	Belmont	Burlingame	E Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	County
2011 FINAL														
Gross Billed Revenue - 2011	\$ 87,406,632	\$ 2,092,735	\$ 5,292,502	\$ 8,483,736	\$ 4,627,012	\$ 5,332,705	\$ 2,483,083	\$ 9,849,081	\$ 2,455,961	\$ 16,881,761	\$ 7,250,696	\$ 18,976,297	\$ 1,065,900	\$ 2,615,163
Surplus / (Shortfall) Balance	\$ (3,448,105)	\$ (557,857)	\$ (592,047)	\$ (709,885)	\$ -	\$ (40,787)	\$ (539,728)	\$ (50,866)	\$ 89,107	\$ 292,478	\$ (178,538)	\$ (1,133,085)	\$ (111,559)	\$ 84,662
Surplus / (Shortfall) Balance %	-3.9%	-26.7%	-11.2%	-8.4%	0.0%	-0.8%	-21.7%	-0.5%	3.6%	1.7%	-2.5%	-6.0%	-10.5%	3.2%
Interest From / (To) Recology	\$ (207,577)	\$ (35,563)	\$ (35,478)	\$ (42,540)	\$ -	\$ (2,444)	\$ (32,343)	\$ (3,048)	\$ 5,681	\$ 18,645	\$ (10,699)	\$ (72,234)	\$ (2,951)	\$ 5,397
2012 FINAL														
Gross Billed Revenue - 2012	\$ 96,212,664	\$ 3,227,369	\$ 5,797,844	\$ 10,701,485	\$ 4,590,885	\$ 5,482,627	\$ 3,330,702	\$ 10,460,225	\$ 2,429,902	\$ 17,756,627	\$ 7,507,783	\$ 20,526,299	\$ 1,578,978	\$ 2,821,938
Surplus / (Shortfall) Balance	\$ 1,873,517	\$ 497,833	\$ (605,887)	\$ 979,717	\$ 99,809	\$ 243,061	\$ 200,778	\$ (47,746)	\$ 33,155	\$ 961,651	\$ 214,542	\$ (709,290)	\$ 187,547	\$ (181,653)
Surplus / (Shortfall) Balance %	1.9%	15.4%	-10.5%	9.2%	2.2%	4.4%	6.0%	-0.5%	1.4%	5.4%	2.9%	-3.5%	11.9%	-6.4%
Interest From / (To) Recology	\$ 112,694	\$ 31,737	\$ (38,625)	\$ 62,457	\$ 6,363	\$ 15,495	\$ 19,734	\$ (3,044)	\$ 2,114	\$ 61,305	\$ -	\$ (45,217)	\$ 11,956	\$ (11,580)
TOTAL FINAL														
Surplus / (Shortfall) Balance	\$ (1,574,588)	\$ (60,024)	\$ (1,197,934)	\$ 269,832	\$ 99,809	\$ 202,274	\$ (338,950)	\$ (98,612)	\$ 122,262	\$ 1,254,129	\$ 36,004	\$ (1,842,375)	\$ 75,988	\$ (96,991)
Interest From / (To) Recology	\$ (94,883)	\$ (3,826)	\$ (74,103)	\$ 19,917	\$ 6,363	\$ 13,051	\$ (12,609)	\$ (6,092)	\$ 7,795	\$ 79,950	\$ (10,699)	\$ (117,451)	\$ 9,005	\$ (6,183)

Table 2 - Revenue Reconciliation - 2013 ESTIMATE														
	Member Agency Total	Atherton	Belmont	Burlingame	E Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	County
2013 Estimate (9/2013)														
Gross Billed Revenue - 2013	\$ 99,319,009	\$ 3,140,420	\$ 6,452,158	\$ 10,667,350	\$ 4,680,840	\$ 5,277,966	\$ 3,535,773	\$ 10,371,832	\$ 2,533,480	\$ 17,756,627	\$ 8,365,114	\$ 21,927,778	\$ 1,525,803	\$ 3,083,868
Surplus / (Shortfall) Balance	\$ 2,347,126	\$ 454,956	\$ (316,783)	\$ 817,223	\$ 98,103	\$ (192,259)	\$ 621,476	\$ 40,763	\$ (95,146)	\$ (15,155)	\$ 101,290	\$ 860,830	\$ (53,165)	\$ 24,993
Surplus / (Shortfall) Balance %	2.4%	14.5%	-4.9%	7.7%	2.1%	-3.6%	17.6%	0.4%	-3.8%	-0.1%	1.2%	3.9%	-3.5%	0.8%
Interest To Recology	\$ (42,872)		\$ (20,195)			\$ (12,257)			\$ (6,066)	\$ (966)			\$ (3,389)	

- Recology would not pay interest on any agency's surplus rate revenue.

Starting with Rate Year 2013, it is highly recommended that Member Agencies with a large surplus arrange with Recology to have this paid back to the Member Agency rather than have Recology hold the money without it earning interest.

It is important to note that some Member Agencies accrued large revenue surpluses for 2012 and have projected surpluses in 2014; therefore, the result in the SBWMA Final Rate Report approved by the Board on September 26, 2013 was a negative recommended rate adjustment. Adopting these "negative" rates and hence lowering existing rates would have reduced the amount of compensation retained by Recology in order to bring the revenue and cost in balance. However, this was impractical and no Member Agency reduced rates. Therefore, large revenue surpluses continue to be held by Recology for 2012 for some Member Agencies and interest credits stopped at the end of 2013. Therefore, it is recommended that these Member Agencies set up a Member Agency fee per Article 10 of the Franchise Agreement(s) (e.g., Rate Stabilization Fee) to begin direct regular payments of this surplus revenue held by Recology. Otherwise, these funds will be included in the 2014 Revenue Reconciliation Report submitted by March 31, 2015. Member Agencies can then request a refund of the total surplus balance which would include the 2012 surplus balance.

Background

Recology started collection services under the new Franchise Agreements on January 1, 2011. Their annual compensation adjustment for collection service is largely based on changes in indices and a cost allocation process prescribed in the Member Agency Franchise Agreements. Recology bills all customers for most Member Agencies and pays pass-through costs of Member Agency fees (i.e., franchise and other fees) to the Member Agencies and Shoreway disposal and processing costs to the SBWMA.

On March 31 each year, Recology submits a Revenue Reconciliation Report for the prior rate year to the SBWMA and Member Agencies which reconciles the amount owed (compensation) to Recology to the amount retained (through billing customers) by Recology after paying pass-through costs (i.e., Member Agency fees and disposal and processing costs). This reconciliation creates a surplus or shortfall by Member Agency. For rate years 2011 and 2012, Recology paid interest to agencies that had a surplus and charged agencies interest that had a shortfall. The interest rate is currently 4.25% based on 1% above the prime rate. This process has been completed for rate years 2011 and 2012. The revenue reconciliation for 2013 is due on March 31, 2014.

The Member Agency Franchise Agreements were drafted in 2008/2009 with the contract language influenced by several conditions regarding the payment of interest that have now changed. At that time, many Member Agencies had large shortfalls with the prior contractor, BFI/Allied/Republic. In total for all Member Agencies, \$10.8 million was owed to BFI. It was not envisioned that Member Agencies would generate large surpluses. In addition, the interest rate environment has drastically changed. Back in 2008/2009, surplus money could earn interest in the 5% range. Today, of course, the money market interest rate is close to zero so Recology has more at risk. The issue of paying interest on a surplus balance never came up until 2013.

Fiscal Impact

There is no fiscal impact to the SBWMA. Member Agencies with past surpluses would benefit from the inadvertent payment to them of interest for 2011 and 2012. Going forward, Member Agencies with a surplus would not be paid interest in accordance with the Franchise Agreement(s).

Attachments:

Resolution 2014-06

Exhibit A - Memorandum of Understanding with Recology San Mateo County Establishing Expectations Regarding Future Interest Calculations on Surplus Revenue



RESOLUTION NO. 2014-06

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE MEMORANDUM OF UNDERSTANDING WITH RECOLOGY SAN MATEO COUNTY ESTABLISHING EXPECTATIONS REGARDING FUTURE INTEREST CALCULATIONS ON SURPLUS REVENUE

WHEREAS, the twelve SBWMA Member Agencies executed ten-year Franchise Agreements with Recology San Mateo County (Recology) to provide solid waste, recyclable materials, and compostable materials collection services commencing on January 1, 2011; and,

WHEREAS, each year Recology is entitled to submit an application for an adjustment to contractor's compensation to increase the compensation paid to the company in the subsequent year; and,

WHEREAS, Recology is obligated to submit a Revenue Reconciliation Report to the SBWMA and Member Agencies by March 31 each year which calculates the amount of revenue received by the company net of the amount owed to the company with interest applied to revenue shortfalls; and,

WHEREAS, both Recology and the SBWMA intend to formalize through an MOU (**Exhibit A**) the expectations regarding the calculation and payment of interest on revenue shortfalls and payment of revenue surpluses commencing with 2013 Revenue Reconciliation Report due in March 2014.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Memorandum of Understanding (MOU) with Recology San Mateo County Establishing Expectations Regarding Future Interest Calculations on Surplus Revenue and authorizes the Executive Director to execute this MOU.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 27th day of March, 2014, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2014-06 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 27, 2014.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary

Exhibit A

MEMORANDUM OF UNDERSTANDING

This is a Memorandum of Understanding by and between Recology San Mateo County (Recology) and the South Bayside Waste Management Authority, a California JPA (SBWMA).

A. Recology is the Franchisee for each of the twelve (12) JPA Member Agencies of the SBWMA for the collection of solid waste and recyclables pursuant to Franchise Agreements (the Franchise Agreements) entered into with each respective Member Agency.

B. Article 11 of the Franchise Agreements all provide that the SBWMA shall annually review the Recology Application for an Adjustment to Contractor's Compensation and provide a report to the SBWMA Board of Directors for consideration of a binding vote to approve the recommended Recology compensation for the subsequent rate year.

C. Article 11 of the Franchise Agreements also provides for an Annual Revenue Reconciliation that reconciles the amount owed to Recology compared to the amount retained by Recology for the prior year which generates a surplus or shortfall by agency. It also calculates interest owed to Recology for a shortfall.

D. In 2012 and 2013, the SBWMA Board approved Recology compensation for rate years 2013 and 2014, respectively, that included a reconciliation of:

1. Any surplus paid to Recology and any shortfall owed to Recology by a Member Agency for 2011 and 2012 were included in setting Recology's total compensation for 2013 and 2014, respectively.

2. Recology submitted to the SBWMA an interest calculation for both years which was charged to Member Agencies on any shortfall and credited interest to Member Agencies on any surplus. The SBWMA reports to the Board included this interest charge or credit by Member Agency in both years.

E. Recology and the SBWMA Board have reviewed their prior understanding regarding the payment of interest and reviewed the language and intent of the Franchise Agreements. Commencing with

the Recology Application, due in June 2014, for an Adjustment to Contractor's Compensation for 2015, they desire to clarify the process to calculate interest and conform to the intent of the Agreements as follows:

1. Any Member Agency that has generated a surplus balance with Recology for 2013 can receive a refund from Recology provided it requests the refund in writing on or before July 31, 2014, provided the surplus balance was generated due to the Member Agency setting rates higher than those recommended by the SBWMA. If it does not request a refund by July 31, 2014, any such surplus will be accounted for in the Recology Application for an Adjustment in Contactor's Compensation for 2015 and applied to the rate setting recommended for 2015.

2. Any Member Agency that generated a shortfall balance with Recology for 2013 will have the shortfall accounted for in the 2013 Revenue Reconciliation and recommended 2015 rates. However, if the shortfall was the result of the Member Agency setting rates lower in 2013 than had been recommended in the SBWMA Report approved by the SBWMA Board, it shall be charged the prevailing interest rate (prime plus 1%) on the shortfall balance delineated in the 2013 Revenue Reconciliation.

3. No interest will be credited to a Member Agency on any surplus balance for 2013 and in all future years. Member Agencies may request by July 31 of each year and Recology will comply with the request for a refund in a reasonable time frame. Any surplus not requested to be refunded will be credited in the next Revenue Reconciliation and applied to the next Recology Application for an Adjustment to Contractor's Compensation.

4. Recology shall not receive any interest on shortfalls in 2014 and in future years unless the Member Agency adjusts its rates below the rate adjustment recommended in the SBWMA Report and approved by the SBWMA Board.

SBWMA

RECOLOGY

Kevin McCarthy Date
Executive Director

Mario Puccinelli Date
General Manager



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Cliff Feldman, Recycling Programs Manager
Marshall Moran, Finance Manager
Date: March 27, 2014 Board of Directors Meeting
Subject: Discussion on Cost Allocation Methodology in Member Agency Franchise Agreements with Recology San Mateo County

Background

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

At the September 26, 2013 Board meeting, Staff made a powerpoint presentation to the Board which in part explained how Recology's adjusted annual compensation (cost) is allocated amongst the Member Agencies per a prescribed methodology (see *Article 11 and Attachment K, Section 6 of the Franchise Agreement*). See **Attachment A-1** for a summary of the cost allocation process.

At the January 23, 2014 Board meeting, staff summarized the cost allocation process and noted the potential benefits and issues associated with fixing (i.e., using the same percentages by Member Agency) the operating statistics used for the purposes of allocating compensation (costs) across the Member Agencies. See **Attachment A-2** for a summary of the issues associated with changing the cost allocation methodology.

During the January 23, 2014 Board meeting Recology also made a presentation and highlighted the 2011-2014 actual allocation percentages by Member Agency and noted factors they felt influence year over year variances in cost allocations. The Board asked a number of questions and made two specific follow-up information requests of Recology as follows:

1. Provide the operational data (four statistics used to allocate costs) over a longer time period than the four weeks used for the Annual Route Assessment in 2013.
2. Proposal and cost to automate the process used to collect and compile the data included in the Annual Route Assessment.

Attachment B-1 is a table provided by Recology in response to the Board's request to provide an analysis of including additional data over a longer time period than the four weeks used for the Annual Route Assessment for rate year 2014. This table reflects Recology collecting one week of Route Hours data in three separate months (June, September and December). The results of using one operating statistic (i.e., Route Hours) for three additional weeks for the six largest lines of business (LOB) out of seventeen were compared to the actual allocation used in 2014 for the same six LOBs (i.e., residential garbage service, compost service and recycle service; commercial garbage service, compost service and recycle service, etc.). **Attachment B-2** provides a narrative description of how Recology gathered the additional data.

This new data shows that using different time periods to gather the operating statistics will create variances in the results. However, unless 100% of the time is included in the process, no sample period will be perfect and some variance is inevitable. Looking at the individual LOB comparisons, using the six LOBs to form an average helps to

smooth out the variances. However, some are up and others are down which is how it works in the actual allocation across the seventeen LOBs.

As of the completion of this staff report, Recology has not provided a proposal and cost to automate the process used to collect and compile the data included in the Annual Route Assessment. Recology has recently conveyed to Staff that their software vendor, Routeware, has not yet responded to their inquiry but would do so after March 25. However, Staff has reiterated to Recology the importance of receiving this information as soon as possible.

Next Steps

Staff is looking for additional Board feedback on the cost allocation process noting two critical points:

- The Annual Route Assessment for the 2015 rate year will start in less than a month.
- Any change to the cost allocation methodology would require separate, individual approval by all Member Agencies.

Staff would also note there was no clear consensus at the last Board meeting regarding whether to change the cost allocation process to fix the operating statistics, though there seemed to be a clear consensus for a larger data set to be used in the Annual Route Assessment rather than just using the operating statistics from four consecutive weeks.

Fiscal Impact

A potential change to the cost allocation methodology to fix the operating statistics may not affect the total compensation paid to Recology, unless cost savings are passed on, but it would change the allocation of costs to each Member Agency as compared to using the current approach of applying new operating statistics each year. More details on the fiscal benefits and risks of changing the cost allocation methodology shared with the Board prior can be found in **Attachment A-2**.

There may be one-time costs associated with Recology automating their data collection, but Recology would also save staff costs associated with completing the Annual Route Assessment. Additional information and analysis is needed from Recology.

Attachments:

Attachment A-1 - Summary of Recology Cost Allocation Process

Attachment A-2 - Potential Change to Cost Allocation Methodology

Attachment B-1 - Recology 2013 Cost Allocation Adjusted for 3 Weeks of Data from June, September and December

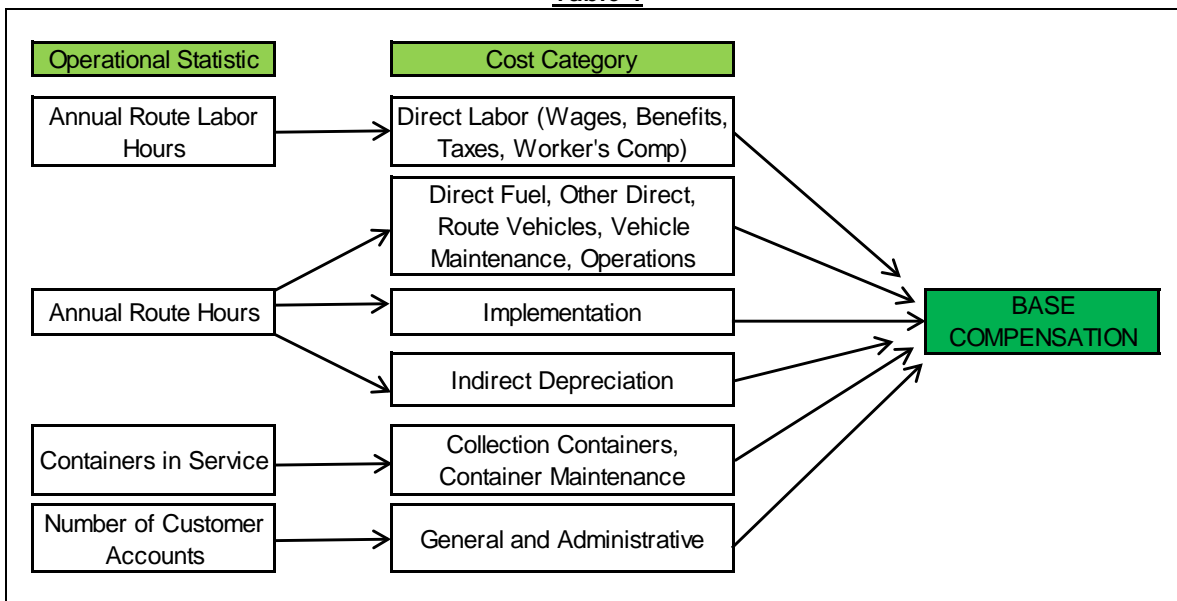
Attachment B-2 – Recology’s Description of Allocation Exercise to Collect Additional Data

**Attachment A-1
Summary of Cost Allocation Approach**

Current Recology Cost Allocation Methodology

The Recology cost allocation methodology prescribed in the Franchise Agreement(s) with Recology is similar to that used historically by BFI/Allied Waste/Republic Services, the service provider prior to Recology commencing collection services on January 1, 2011. This approach was put in place decades ago to allow for the equitable allocation of operational costs among the Member Agencies given that the franchised collection services were delivered across a multi-jurisdictional service area. Recology's nine cost categories are allocated based on four operational statistics for each of the 17 service sectors (e.g., Single-Family Garbage, Recycle and Compost; Commercial/MFD Garbage, Recycle and Compost, etc.) specific to each Member Agency. See **Table 1** for a graphical illustration of which operational statistics (route labor hours, route hours, number of containers and number of customers) are applied to allocate each of the cost categories.

Table 1



In contrast, no such allocation process would be needed for direct labor, fuel and maintenance expense if each Member Agency had its franchised collection services provider's operations confined solely to its jurisdictional boundaries; this would mean separate and distinct collection routes for each Member Agency with no overlap across jurisdictions. Confining collection routes within jurisdictional boundaries is not conducive to ensure the economy of scale cost savings and efficiencies gained by having one franchised contractor provide service across the entire SBWMA service area. By and large, smaller agencies, like most of our Member Agencies, have a greater financial benefit from sharing one contractor than larger agencies since that contractor can provide efficiencies not gained in servicing one small agency.

Both the current and past cost allocation approaches rely on the use of operating statistics collected during a defined four week period of time (e.g., mid-April to mid-May) in each Member Agency. The collection of this data (i.e., operating statistics) is referred to in the Franchise Agreements with Recology as the Annual Route Assessment (section 7.12).

In an effort to illustrate how the cost allocation process is conducted, an example for the City of Menlo Park is provided as **Table 2** (this table was taken from Recology's 2014 Application for Contractor's Compensation Adjustment). The first section of this table outlines Menlo Park's share of the four operating statistics (i.e., number of accounts, total route labor hours per year, route hours per year and total containers in service.) The second section shows how the allocation of these operational statistics is applied to the cost categories (i.e., direct labor, direct fuel, etc.).

It is important to note that this process is conducted for seventeen lines of business (e.g., Single-Family Garbage, Recycle and Compost; Commercial/MFD Garbage, Recycle and Compost, etc.) and **Table 2**, only represents the calculation for one service sector (i.e., Single-Family) in one line of business (i.e., Garbage collection service).

Table 2

Example of Cost Allocation Calculation - 2014			
City of Menlo Park Allocated Cost for SFD, Solid Waste Line of Business			
			Statistics
1	# of Accounts - City		7,816
	# of Accounts - Total SBWMA		93,874
	% of Accounts - City		8.3%
2	Total Route Labor hours year - City		3,880
	Total Route Labor hours year - Total SBWMA		48,266
	% Total Route Labor hours year - City		8.0%
3	# of route hours/year - City		3,594
	# of route hours/year - Total SBWMA		44,057
	% Total Route Labor hours year - City		8.2%
4	Total Containers in Service - City		8,243
	Total Containers in Service - Total SBWMA		96,151
	% Total Containers in Service - City		8.6%
		a	b
			c
	Service Sector: SFD	Line of Business	
		Solid Waste	Solid Waste
		SBWMA Total	MP Cost Allocation
	Annual Cost of Operations		(a x b)
	Direct Labor-Related Costs		
	Wages for CBAs	\$3,165,552	\$254,506
	Benefits for CBAs	\$1,252,546	\$100,703
	Payroll Taxes	\$263,374	\$21,175
	Workers Compensation Insurance	\$278,820	\$22,417
	Total Direct Labor Related-Costs	\$4,960,292	\$398,801
	Direct Fuel Costs	\$825,516	\$67,345
	Other Direct Costs	\$395,858	\$32,294
	Depreciation - Collection Vehicles	\$803,031	\$65,511
	Depreciation - Containers	\$428,963	\$36,775
	Depreciation for Collection Equipment	\$1,231,994	\$102,286
	Allocated Indirect Costs		
	General and Administrative	\$1,302,461	\$108,444
	Operations	\$322,771	\$26,332
	Vehicle Maintenance	\$553,656	\$45,167
	Container Maintenance	\$191,948	\$16,456
	Total Allocated Indirect Costs	\$2,370,836	\$196,398
	Total Allocated Indirect Depreciation Costs (Form 9)	\$28,295	\$2,308
	Annual Implementation Cost Amortization (Form A)	\$40,497	\$3,304
	Total Annual Cost of Operations	\$9,853,289	\$802,736
	Profit (from Operating Ratio below)	\$1,034,323	\$84,265
	90.5%	90.5%	90.5%
	Total Costs before Pass-Through Cost	\$10,887,612	\$887,001
	Contractor Pass-Through Costs		
	Interest Expense	\$416,943	\$34,617
	Interest Expense on Implementation Cost	\$13,825	\$1,128
	Total Contractor Pass-Through Costs	\$430,768	\$35,744
	BASE CONTRACTOR'S COMPENSATION - 2013	\$11,318,380	\$922,745
	<i>Note: Interest Expense is allocated based on the % of each agency's depreciation expense to the total. Calculation is not shown above.</i>		

Table 3 provides a list of all seventeen lines of business and the service sector that applies to each.

Table 3

<u>Franchise Agreement Attachment N</u>	<u>Line of Business</u>	<u>Service Sector</u>
A	Solid Waste (1)	Single-Family Residential
B	Recyclable Materials (2)	Single-Family Residential
C	Organic Materials (3)	Single-Family Residential
D	Weekly Battery and Cell Phone Collection (4)	Single-Family Residential
E	Weekly Used Motor Oil and Filters (5)	Single-Family Residential
F	Twice Annual Bulky Item Collection (6)	Single-Family Residential
E	Cart and Bin Solid Waste (7)	Commercial/MFD
F	Cart and Bin Recyclable Materials (8)	Commercial/MFD
G	Cart and Bin Organic Materials (9)	Commercial/MFD
H	Drop Box Solid Waste (10)	Commercial/MFD
H	Drop Box Recyclable Materials (11)	Commercial/MFD
H	Drop Box Organic Materials (12)	Commercial/MFD
J	Twice Annual Bulky Item Collection (13)	Commercial/MFD
E	Solid Waste (14)	Agency Facility
G	Organic Materials (15)	Agency Facility
I	Public Litter and Recycling Cans (16)	Agency Facility
I	Venues and Events (17)	Agency Facility



Attachment A-2 Potential Change to Recology Cost Allocation Methodology

Variable vs. Fixed

During the staff presentation at the September 26, 2013 Board meeting a policy question was raised regarding the need to continue allocating costs each year to the Member Agencies based on new operating statistics collected that year or whether sufficient data has already been collected to establish a fixed allocation percentage by Member Agency. The Board directed staff to agendize a future discussion on continuing with the current cost allocation methodology vs. a potential change of fixing the cost allocation factors. This presentation and discussion occurred at the January 23, 2014 Board meeting.

It should be noted that any change to the cost allocation methodology prescribed in the Recology Franchise Agreement(s) would be subject to approval by each of the 12 Member Agencies. If not all Member Agencies adopt a change then it will cause problems with how costs are allocated amongst the Member Agencies.

Why Allocate Costs Annually?

While the services provided by Recology are nearly uniform across the Member Agencies, the cost to provide these services vary by Member Agency based on topography, housing density, number and type of commercial businesses, traffic patterns, customer subscription levels, etc. For these reasons and because Recology's truck routes cross Member Agency boundaries, the company's compensation for providing collection services is allocated to the individual Member Agencies based on operating statistics. Recology's operational demands in delivering such services vary from year to year by Member Agency based on any changes in the number of residential and commercial customer accounts, bin and cart size, and frequency of service. In limited cases, individual Member Agencies may impact Recology's operations if they direct a change in routing or hours of operations to provide collection services in portions of their community (e.g., a given route). Therefore, collection cost is allocated each year to reflect the current level of service and cost to perform the service, as measured primarily by labor hours, in each jurisdiction.

How Recology's Compensation Relates to Member Agency Rate Revenue

An important and related piece of the Recology Franchise Agreement(s) compensation methodology is related to how rate revenue (i.e., from solid waste rates billed to residents and businesses) is treated. Member Agencies essentially retain the upside benefit and take the downside risk of annual gross revenues billed as it relates to what Recology is owed for compensation. If revenues go up more than projected and this results in a surplus in revenue, then the Member Agency benefits; however, the opposite is true when revenues are below projections and don't cover the total compensation owed to Recology.

Why was the above approach taken in the Franchise Agreement(s)? This was done to try and align the cost of services provided with the revenue billed for providing the services. This approach is premised on the fact that if a Member Agency's allocated costs increase from one year to the next, it's due to a higher level of operational effort by Recology (i.e., more accounts to service, more labor hours worked, etc.), when compared to other Member Agencies. Therefore, this higher level of operational effort is documented when compiling the company's annual operating statistics for each agency. A higher level of effort would typically be associated with more accounts or higher service levels which translate

to increased billed revenue. Therefore, this approach is designed to match revenues with costs by having the Member Agencies accrue the benefit of surplus revenue billed to customers for higher than projected service levels.

Implications for Changing the Recology Cost Allocation Methodology

On the following page is a list of implications that may result from changing the Recology cost allocation methodology from the current method to one where the operating statistics are fixed (i.e., as a percent by each Member Agency) for some period of time (e.g., for the balance of the Franchise Agreement(s) term). Recology's adjusted annual compensation would still be allocated across the Member Agencies, but will be based on predetermined operating statistics and not the use of real-time data collected over a 4-week period each year. No assumptions have been made by staff as to how to arrive at the fixed numbers (i.e., accounts, route labor hours, route hours and containers in service) to fix the cost allocation percent as whatever approach is considered would require further discussion and a consensus of the Member Agencies.

Potential Benefits with Fixed Allocations

1. Improved rate predictability.
2. Member Agencies experiencing greater than CPI growth in operating statistics (e.g., # of accounts, lifts, pulls, and route hours) will not be allocated their proportional share of higher costs.
3. Some minor cost savings (i.e., approximately \$10-15,000/year) for the SBWMA since the cost allocation results will not have to be audited each year.
4. Significant savings from Recology due to the company not having to conduct the arduous and time consuming tasks associated with the Annual Route Assessment (if this requirement to document and compile operational data is waived).
5. Additional savings from Recology related to the minor additional work of preparing the cost allocation figures for each Member Agency (and including them in the company's annual Compensation Adjustment Application).

Potential Issues with Fixed Allocations

1. Member Agencies with less than CPI growth in operating statistics will be subsidizing Member Agencies with higher than CPI growth in operating statistics. The allocation of costs will no longer accurately reflect the actual level of effort (measured by labor hours) by Recology in each Member Agency.
2. There may be a potentially significant cost adjustment at the start of the next contract or at the extension of the current contract with Recology if the actual operating statistics are significantly different at that time.
3. Discontinuing the Annual Route Assessment would eliminate the Member Agencies ready access to actual operational data which Recology is currently required to provide annually (i.e., annual route hours, annual labor hours, lifts/pulls of carts/bins by each individual Member Agency). It is important to note that having this operational data will be critical in benchmarking Recology's actual operations in each individual Member Agency as part of analyzing a proposal for a future contract extension.
4. Agreement on the actual new methodology, not just the concept, by all Member Agencies may be difficult.

Attachment B-1

RECOLOGY

Comparisons of Route Hours 2013 average vs. 2014 Rate Application

	ATH	BEL	BUR	EPA	FOC	HIL	MPK	RWC	SNC	MAT	NFO	WBS	CSM	TOTAL
Total of 3 week Average Time:	5931:38:41	12118:33:07	16901:00:05	7722:32:56	11326:33:47	10433:50:07	18433:48:09	32358:04:25	16828:10:56	39776:38:04	5558:41:21	3696:59:17	8048:06:44	189134:37:40
Total of all 2014 Rate App Time	6072:20:23	12329:10:03	16685:07:54	7559:03:08	11748:58:39	10380:57:32	18035:22:36	32547:53:39	17416:11:12	39111:52:46	5419:20:59	3634:11:23	8192:53:07	189133:23:21
% of total Average	3.14%	6.41%	8.94%	4.08%	5.99%	5.52%	9.75%	17.11%	8.90%	21.03%	2.94%	1.95%	4.26%	100.00%
% of total Application	3.21%	6.52%	8.82%	4.00%	6.21%	5.49%	9.54%	17.21%	9.21%	20.68%	2.87%	1.92%	4.33%	100.00%
% difference	-0.07%	-0.11%	0.11%	0.09%	-0.22%	0.03%	0.21%	-0.10%	-0.31%	0.35%	0.07%	0.03%	-0.08%	0.00%

2013 Time Allocations

	ATH	BEL	BUR	EPA	FOC	HIL	MPK	RWC	SNC	MAT	NFO	WBS	CSM	TOTAL
June Res Garbage	1403:45:16	2795:36:24	3071:54:00	2329:10:52	2739:02:32	3523:34:52	3700:34:48	7202:50:16	3450:18:56	8970:09:32	1294:44:32	1048:41:44	3058:18:28	
Sept Res Garbage	1435:59:40	2710:04:00	3005:46:24	2337:13:36	2758:32:32	3654:59:48	3532:01:40	7660:40:08	3521:09:56	9482:17:12	1031:50:20	974:13:12	2260:34:12	
Dec Res Garbage	1316:53:08	2514:55:20	2754:16:00	2238:20:24	2954:33:12	3531:48:00	3668:32:32	7583:35:36	3833:22:56	8111:12:20	1164:06:24	1404:06:56	2027:45:16	
Average:	1385:32:41	2673:31:55	2943:58:48	2301:34:57	2817:22:45	3570:07:33	3633:43:00	7482:22:00	3601:37:16	8854:33:01	1163:33:45	1142:20:37	2448:52:39	44019:10:59
2014 Rate App Res MSW	1370:26:44	2727:02:07	3164:28:02	2195:37:14	2789:36:31	3609:04:40	3594:11:09	7074:16:43	4058:55:30	8824:37:39	1162:05:56	1034:54:04	2452:03:49	44057:20:08
% of total Average	3.15%	6.07%	6.69%	5.23%	6.40%	8.11%	8.25%	17.00%	8.18%	20.12%	2.64%	2.60%	5.56%	100.00%
% of total Application	3.11%	6.19%	7.18%	4.98%	6.33%	8.19%	8.16%	16.06%	9.21%	20.03%	2.64%	2.35%	5.57%	100.00%
% difference	0.04%	-0.12%	-0.49%	0.25%	0.07%	-0.08%	0.10%	0.94%	-1.03%	0.09%	0.01%	0.25%	0.00%	0.00%

June Res REC	1373:07:04	2371:46:40	2916:33:00	1667:44:28	2588:06:44	4182:13:52	3619:20:40	7186:49:08	3851:07:12	8105:14:24	1131:28:36	932:12:04	2564:35:48	
Sept Res REC	1507:18:24	2627:37:04	2941:52:16	1463:56:40	2591:52:04	4156:18:12	3469:27:16	7653:47:36	4582:16:08	8185:24:24	1188:45:48	1286:18:24	2405:48:32	
Dec Res REC	1450:48:00	3071:48:48	2606:31:44	1840:09:52	2602:49:52	4164:07:04	3626:14:04	7692:57:08	4415:07:04	8040:19:36	1231:06:00	1150:26:32	2854:36:44	
Average:	1443:44:29	2690:24:11	2821:39:00	1657:17:00	2594:16:13	4167:33:03	3571:40:40	7511:11:17	4282:50:08	8110:19:28	1183:46:48	1122:59:00	2608:20:21	43766:01:39
2014 Rate App Res REC:	1509:08:02	2579:25:13	2609:00:09	1624:42:53	2595:59:43	3915:39:06	3614:08:27	7537:13:10	4080:01:16	7411:33:10	1202:43:39	1081:21:03	2446:33:24	42207:29:15
% of total Average	3.30%	6.15%	6.45%	3.79%	5.93%	9.52%	8.16%	17.16%	9.79%	18.53%	2.70%	2.57%	5.96%	100.00%
% of total Application	3.58%	6.11%	6.18%	3.85%	6.15%	9.28%	8.56%	17.86%	9.67%	17.56%	2.85%	2.56%	5.80%	100.00%
% difference	-0.28%	0.04%	0.27%	-0.06%	-0.22%	0.25%	-0.40%	-0.70%	0.12%	0.97%	-0.14%	0.00%	0.16%	0.00%

June Res ORG	2562:28:24	2447:17:36	3043:44:52	1740:01:16	2184:12:08	2656:38:36	3498:21:28	6518:30:12	3212:02:24	7094:17:16	880:38:56	791:59:20	1876:45:08	
Sept Res ORG	2798:31:28	2316:09:08	2855:35:40	1705:47:16	1991:51:36	2655:06:44	3303:37:56	5185:32:28	3188:28:52	6391:59:56	1050:46:32	988:03:28	2573:10:36	
Dec Res ORG	2818:50:52	2466:21:36	2764:20:56	1636:34:12	1923:30:32	2320:52:56	3975:43:04	6114:50:20	3058:39:16	6928:19:16	1068:30:48	1020:17:00	2334:27:12	
Average:	2726:36:55	2409:56:07	2887:53:49	1694:07:35	2033:11:25	2544:12:45	3592:34:09	5939:37:40	3153:03:31	6804:52:09	999:58:45	933:26:36	2261:27:39	37980:59:05
2014 Rate App Res ORG:	2814:48:25	2716:47:26	2704:06:56	1687:21:24	2059:29:07	2717:12:19	3204:54:03	6265:11:41	3340:17:06	6676:56:53	994:22:51	1023:23:33	2578:34:18	38783:26:02
% of total Average	7.18%	6.35%	7.60%	4.46%	5.35%	6.70%	9.46%	15.64%	8.30%	17.92%	2.63%	2.46%	5.95%	100.00%
% of total Application	7.26%	7.01%	6.97%	4.35%	5.31%	7.01%	8.26%	16.15%	8.61%	17.22%	2.56%	2.64%	6.65%	100.00%
% difference	-0.08%	-0.66%	0.63%	0.11%	0.04%	-0.31%	1.20%	-0.52%	-0.31%	0.70%	0.07%	-0.18%	-0.69%	0.00%

June Com Garbage	250:26:16	2110:24:20	3805:12:04	1285:17:44	1847:06:44	14:27:32	4079:37:52	6774:04:08	2958:21:08	8438:45:44	1205:51:56	231:01:28	342:20:52	
Sept Com Garbage	196:54:24	2080:04:20	3410:43:24	1264:55:44	1730:48:20	51:30:32	4094:38:20	6237:22:16	2863:08:56	8474:16:52	1270:54:32	170:01:32	438:08:36	
Dec Com Garbage	281:57:20	2189:25:52	4283:07:28	1327:52:40	1857:28:08	22:28:32	4036:23:56	6413:12:12	2790:14:00	8056:11:12	1249:14:32	161:45:48	379:59:24	
Average:	243:06:00	2126:38:11	3833:00:59	1292:42:03	1811:47:44	29:28:52	4070:13:23	6474:52:52	2870:34:41	8323:04:36	1242:00:20	187:36:16	386:49:37	32891:55:33
2014 Rate App Com MSW:	223:03:43	2064:30:56	3817:02:44	1310:03:51	1898:16:02	43:27:35	4101:46:54	6666:45:53	2847:36:11	8202:14:56	1244:02:45	225:36:54	404:46:36	33049:15:00
% of total Average	0.74%	6.47%	11.65%	3.93%	5.51%	0.09%	12.37%	19.69%	8.73%	25.30%	3.78%	0.57%	1.18%	100.00%
% of total Application	0.67%	6.25%	11.55%	3.96%	5.74%	0.13%	12.41%	20.17%	8.62%	24.82%	3.76%	0.68%	1.22%	100.00%
% difference	0.06%	0.22%	0.10%	-0.03%	-0.24%	-0.04%	-0.04%	-0.49%	0.11%	0.49%	0.01%	-0.11%	-0.05%	0.00%

Attachment B-1

June	Com REC	87:44:08	2020:01:36	3708:16:44	609:31:36	1824:34:44	59:34:08	2462:32:48	4098:41:00	2942:01:48	7280:02:36	692:18:28	364:19:04	245:14:16	
Sept	Com REC	99:10:32	1874:48:08	3594:46:28	688:40:56	1239:52:56	46:24:36	2722:31:56	3968:04:36	2196:57:24	6651:53:00	719:13:56	215:49:44	239:38:52	
Dec	Com REC	98:16:48	1998:00:48	3560:48:04	684:53:52	1751:44:08	18:57:04	2781:14:56	4021:20:52	2391:22:44	5995:48:08	988:39:00	199:51:12	274:42:16	
Average:		95:03:49	1964:16:51	3621:17:05	661:02:08	1605:23:56	41:38:36	2655:26:33	4029:22:09	2510:07:19	6642:34:35	800:03:48	260:00:00	253:11:48	25139:28:37
2014 Rate App Com REC:		101:31:48	2024:26:48	3523:00:13	605:44:58	1873:40:32	47:59:56	2668:22:22	4081:54:35	2710:58:23	6874:12:44	678:34:03	214:35:51	247:04:33	25652:06:46
% of total Average		0.38%	7.81%	14.40%	2.63%	6.39%	0.17%	10.56%	16.03%	9.98%	26.42%	3.18%	1.03%	1.01%	100.00%
% of total Application		0.40%	7.89%	13.73%	2.36%	7.30%	0.19%	10.40%	15.91%	10.57%	26.80%	2.65%	0.84%	0.96%	100.00%
% difference		-0.02%	-0.08%	0.67%	0.27%	-0.92%	-0.02%	0.16%	0.12%	-0.58%	-0.37%	0.54%	0.20%	0.04%	0.00%
June	Com ORG	39:11:16	224:27:08	858:15:36	97:11:48	565:17:52	49:36:08	951:11:44	971:12:04	409:21:20	1069:12:24	220:59:08	49:06:40	87:32:52	
Sept	Com ORG	45:31:44	271:53:16	760:02:16	130:09:32	437:26:08	93:12:36	929:16:08	911:16:16	403:26:52	1053:41:36	146:49:40	57:32:48	76:09:56	
Dec	Com ORG	28:01:20	264:57:16	761:13:20	120:06:20	390:51:08	99:39:08	850:03:20	879:27:00	417:05:52	1000:48:44	140:04:56	45:10:56	104:31:12	
Average:		37:34:47	253:45:53	793:10:24	115:49:13	464:31:43	80:49:17	910:10:24	920:38:27	409:58:01	1041:14:15	169:17:55	50:36:48	89:24:40	5337:01:47
2014 Rate App Com ORG:		53:21:41	216:57:33	867:29:50	135:32:48	531:56:44	47:33:56	851:59:41	922:31:37	378:22:46	1122:17:24	137:31:45	54:19:58	63:50:27	5383:46:10
% of total Average		0.70%	4.75%	14.86%	2.17%	8.70%	1.51%	17.05%	17.25%	7.68%	19.51%	3.17%	0.95%	1.68%	100.00%
% of total Application		0.99%	4.03%	16.11%	2.52%	9.88%	0.88%	15.83%	17.14%	7.03%	20.85%	2.55%	1.01%	1.19%	100.00%
% difference		-0.29%	0.72%	-1.25%	-0.35%	-1.18%	0.63%	1.23%	0.11%	0.65%	-1.34%	0.62%	-0.06%	0.49%	0.00%

52 Week Total	ATH	BEL	BUR	EPA	FOC	HIL	MPK	RWC	SNC	MAT	NFO	WBS	CSM
Res Garbage	1403:45:16	2795:36:24	3071:54:00	2329:10:52	2739:02:32	3523:34:52	3700:34:48	7202:50:16	3450:18:56	8970:09:32	1294:44:32	1048:41:44	3058:18:28
Res REC	1373:07:04	2371:46:40	2916:33:00	1667:44:28	2588:06:44	4182:13:52	3619:20:40	7186:49:08	3851:07:12	8105:14:24	1131:28:36	932:12:04	2564:35:48
Res ORG	2562:28:24	2447:17:36	3043:44:52	1740:01:16	2184:12:08	2656:38:36	3498:21:28	6518:30:12	3212:02:24	7094:17:16	880:38:56	791:59:20	1876:45:08
Com Garbage	250:26:16	2110:24:20	3805:12:04	1285:17:44	1847:06:44	14:27:32	4079:37:52	6774:04:08	2958:21:08	8438:45:44	1205:51:56	231:01:28	342:20:52
Com REC	87:44:08	2020:01:36	3708:16:44	609:31:36	1824:34:44	59:34:08	2462:32:48	4098:41:00	2942:01:48	7280:02:36	692:18:28	364:19:04	245:14:16
Com ORG	39:11:16	224:27:08	858:15:36	97:11:48	565:17:52	49:36:08	951:11:44	971:12:04	409:21:20	1069:12:24	220:59:08	49:06:40	87:32:52
	5716:42:24	11969:33:44	17403:56:16	7728:57:44	11748:20:44	10486:05:08	18311:39:20	32752:06:48	16823:12:48	40957:41:56	5426:01:36	3417:20:20	8174:47:24
	5716:42:24	11969:33:44	17403:56:16	7728:57:44	11748:20:44	7640:18:08	18311:39:20	32752:06:48	16823:12:48	40957:41:56	5426:01:36	3417:20:20	8174:47:24
1 Week Total													
Res Garbage	26:59:43	53:45:42	59:04:30	44:47:31	52:40:26	47:32:31	71:09:54	138:30:58	66:21:08	172:30:11	24:53:56	20:10:02	58:48:49
Res REC	26:24:22	45:36:40	56:05:15	32:04:19	49:46:17	47:37:46	69:36:10	138:12:29	74:03:36	155:52:12	21:45:33	17:55:37	49:19:09
Res ORG	49:16:42	47:03:48	58:32:01	33:27:43	42:00:14	49:22:48	67:16:34	125:21:21	61:46:12	136:25:43	16:56:08	15:13:50	36:05:29
Com Garbage	4:48:58	40:35:05	73:10:37	24:43:02	35:31:17	0:16:41	78:27:16	130:16:14	56:53:29	162:17:02	23:11:23	4:26:34	6:35:01
Com REC	1:41:14	38:50:48	71:18:47	11:43:18	35:05:17	1:08:44	47:21:24	78:49:15	56:34:39	140:00:03	13:18:49	7:00:22	4:42:58
Com ORG	0:45:13	4:18:59	16:30:18	1:52:09	10:52:16	0:57:14	18:17:32	18:40:37	7:52:20	20:33:42	4:14:59	0:56:40	1:41:01
	109:56:12	230:11:02	334:41:28	148:38:02	225:55:47	146:55:44	352:08:50	629:50:54	323:31:24	787:38:53	104:20:48	65:43:05	157:12:27
	109:56:12	230:11:02	334:41:28	148:38:02	225:55:47	146:55:44	352:08:50	629:50:54	323:31:24	787:38:53	104:20:48	65:43:05	157:12:27

Attachment B-1

Recology San Mateo County
Route Hours Calculation
September 9-15, 2013

Hilsborough backyards
1051:24:00
1705:30:00
88:53:00

52 Week Total	ATH	BEL	BUR	EPA	FOC	HIL	MPK	RWC	SNC	MAT	NFO	WBS	CSM
Res Garbage	1435:59:40	2710:04:00	3005:46:24	2337:13:36	2758:32:32	3654:59:48	3532:01:40	7660:40:08	3521:09:56	9482:17:12	1031:50:20	974:13:12	2260:34:12
Res REC	1507:18:24	2627:37:04	2941:52:16	1463:56:40	2591:52:04	4156:18:12	3469:27:16	7653:47:36	4582:16:08	8185:24:24	1188:45:48	1286:18:24	2405:48:32
Res ORG	2798:31:28	2316:09:08	2855:35:40	1705:47:16	1991:51:36	2655:06:44	3303:37:56	5185:32:28	3188:28:52	6391:59:56	1050:46:32	988:03:28	2573:10:36
Com Garbage	196:54:24	2080:04:20	3410:43:24	1264:55:44	1730:48:20	51:30:32	4094:38:20	6237:22:16	2863:08:56	8474:16:52	1270:54:32	170:01:32	438:08:36
Com REC	99:10:32	1874:48:08	3594:46:28	688:40:56	1239:52:56	46:24:36	2722:31:56	3968:04:36	2196:57:24	6651:53:00	719:13:56	215:49:44	239:38:52
Com ORG	45:31:44	271:53:16	760:02:16	130:09:32	437:26:08	93:12:36	929:16:08	911:16:16	403:26:52	1053:41:36	146:49:40	57:32:48	76:09:56
	6083:26:12	11880:35:56	16568:46:28	7590:43:44	10750:23:36	10657:32:28	18051:33:16	31616:43:20	16755:28:08	40239:33:00	5408:20:48	3691:59:08	7993:30:44
	6083:26:12	11880:35:56	16568:46:28	7590:43:44	10750:23:36	7811:45:28	18051:33:16	31616:43:20	16755:28:08	40239:33:00	5408:20:48	3691:59:08	7993:30:44
1 Week Total													
Res Garbage	27:36:55	52:07:00	57:48:12	44:56:48	53:02:56	50:04:09	67:55:25	147:19:14	67:42:53	182:21:06	19:50:35	18:44:06	43:28:21
Res REC	28:59:12	50:31:52	56:34:28	28:09:10	49:50:37	47:07:51	66:43:13	147:11:18	88:07:14	157:24:42	22:51:39	24:44:12	46:15:56
Res ORG	53:49:04	44:32:29	54:54:55	32:48:13	38:18:18	49:21:02	63:31:53	99:43:19	61:19:01	122:55:23	20:12:26	19:00:04	49:29:03
Com Garbage	3:47:12	40:00:05	65:35:27	24:19:32	33:17:05	0:59:26	78:44:35	119:56:58	55:03:38	162:58:01	24:26:26	3:16:11	8:25:33
Com REC	1:54:26	36:03:14	69:07:49	13:14:38	23:50:38	0:53:33	52:21:23	76:18:33	42:14:57	127:55:15	13:49:53	4:09:02	4:36:31
Com ORG	0:52:32	5:13:43	14:36:58	2:30:11	8:24:44	1:47:33	17:52:14	17:31:28	7:45:31	20:15:48	2:49:25	1:06:24	1:27:53
	116:59:21	228:28:23	318:37:49	145:58:32	206:44:18	150:13:34	347:08:43	608:00:50	322:13:14	773:50:15	104:00:24	70:59:59	153:43:17
	116:59:21	228:28:23	318:37:49	145:58:32	206:44:18	150:13:34	347:08:43	608:00:50	322:13:14	773:50:15	104:00:24	70:59:59	153:43:17

52 Week Total	ATH	BEL	BUR	EPA	FOC	HIL	MPK	RWC	SNC	MAT	NFO	WBS	CSM
Res Garbage	1316:53:08	2514:55:20	2754:16:00	2238:20:24	2954:33:12	3531:48:00	3668:32:32	7583:35:36	3833:22:56	8111:12:20	1164:06:24	1404:06:56	2027:45:16
Res REC	1450:48:00	3071:48:48	2606:31:44	1840:09:52	2602:49:52	4164:07:04	3626:14:04	7692:57:08	4415:07:04	8040:19:36	1231:06:00	1150:26:32	2854:36:44
Res ORG	2818:50:52	2466:21:36	2764:20:56	1636:34:12	1923:30:32	2320:52:56	3975:43:04	6114:50:20	3058:39:16	6928:19:16	1068:30:48	1020:17:00	2334:27:12
Com Garbage	281:57:20	2189:25:52	4283:07:28	1327:52:40	1857:28:08	22:28:32	4036:23:56	6413:12:12	2790:14:00	8056:11:12	1249:14:32	161:45:48	379:59:24
Com REC	98:16:48	1998:00:48	3560:48:04	684:53:52	1751:44:08	18:57:04	2781:14:56	4021:20:52	2391:22:44	5995:48:08	988:39:00	199:51:12	274:42:16
Com ORG	28:01:20	264:57:16	761:13:20	120:06:20	390:51:08	99:39:08	850:03:20	879:27:00	417:05:52	1000:48:44	140:04:56	45:10:56	104:31:12
	5994:47:28	12505:29:40	16730:17:32	7847:57:20	11480:57:00	10157:52:44	18938:11:52	32705:23:08	16905:51:52	38132:39:16	5841:41:40	3981:38:24	7976:02:04
	5994:47:28	12505:29:40	16730:17:32	7847:57:20	11480:57:00	7312:05:44	18938:11:52	32705:23:08	16905:51:52	38132:39:16	5841:41:40	3981:38:24	7976:02:04
1 Week Total													
Res Garbage	25:19:29	48:21:50	52:58:00	43:02:42	56:49:06	47:42:00	70:32:56	145:50:18	73:43:08	155:59:05	22:23:12	27:00:08	38:59:43
Res REC	27:54:00	59:04:24	50:07:32	35:23:16	50:03:16	47:16:52	69:44:07	147:56:29	84:54:22	154:37:18	23:40:30	22:07:26	54:53:47
Res ORG	54:12:31	47:25:48	53:09:38	31:28:21	36:59:26	42:55:23	76:27:22	117:35:35	58:49:13	133:14:13	20:32:54	19:37:15	44:53:36
Com Garbage	5:25:20	42:06:16	82:22:04	25:32:10	35:43:14	0:25:56	77:37:23	123:19:51	53:39:30	154:55:36	24:01:26	3:06:39	7:18:27
Com REC	1:53:24	38:25:24	68:28:37	13:10:16	33:41:14	0:21:52	53:29:08	77:20:01	45:59:17	115:18:14	19:00:45	3:50:36	5:16:58
Com ORG	0:32:20	5:05:43	14:38:20	2:18:35	7:30:59	1:54:59	16:20:50	16:54:45	8:01:16	19:14:47	2:41:38	0:52:08	2:00:36
	115:17:04	240:29:25	321:44:11	150:55:20	220:47:15	140:37:02	364:11:46	628:56:59	325:06:46	733:19:13	112:20:25	76:34:12	153:23:07
	115:17:04	240:29:25	321:44:11	150:55:20	220:47:15	140:37:02	364:11:46	628:56:59	325:06:46	733:19:13	112:20:25	76:34:12	153:23:07



Attachment B-2

Allocation Exercise March 2014

Background:

At the meeting of January 23, 2014, there was a discussion on the Cost Allocation Methodology, which is included in the Member Agency Franchise Agreements with Recology San Mateo County. The discussion centered on the benefits of the current annual cost allocation methodology vs. a fixed cost allocation scenario. After a lengthy discussion it appeared as though the Board was leaning towards keeping the current annual cost methodology practice in place.

There were comments from some of the Board members stating that they would like to see the data collection period spread out rather than the current April/May four week data collection period, to incorporate seasonality, etc. To that end, Executive Director McCarthy asked if Recology could do a beta test to compare the 2014 Rate Application data to a different period. To that end, Recology San Mateo County embarked on an exercise that encompassed the request of the board and the Executive Director.

Steps:

As this was a time sensitive exercise, we decided to use the Route Hours allocator and the 6 largest lines of business (LOB). We gathered data, which was retrieved from our on board computer system, Routeware. The data collected for the 2013 time allocations came from single weeks in the month of June, September, and December of 2013. From there, we used a 3 week average and annualized it. This is similar to the process done during the 4 weeks of data collection in April and May. We extrapolated the annual Route Hours by jurisdiction and LOB. We then built a spreadsheet in similar fashion as shown in Attachment N of the Franchise Agreement and compared it to the same Route Hour allocator and LOB's from the 2014 Rate Application so there was an apples to apples comparison.

Conclusions:

Based on the sampling of the 6 LOB in the Route Hours allocation category in 2013 with the same 6 LOB in the Route Hours allocation category from the April/May snapshot used for the 2014 Rate Application, there continues to be slight fluctuations in the allocations however, nothing significant.

Again, while our exercise only looked at 6 of the 17 LOB's, we took the 6 largest and were able to provide an apples to apples comparison. However, even with time and technology permitting, using an increased time collection period and all of the allocators and all of the LOB's would certainly provide a broader spectrum, there would still be year over year variances.